THE EFFECT OF CASH TURNOVER, SALES GROWTH AND LEVERAGE ON PROFITABILITY

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ARTICLEINFO	ABSTRACT
Keywords: Cash Turnover, Sales Growth, Leverage, Profitability.	Much research has been done on profitability and the factors that influence it. Based on a review of previous research on the effect of variable Cash Turnover, Sales Growth, and Leverage on Profitability, shows different results in other words not yet consistent. Thus researchers are interested in re-testing the Cash Turnover, Sales Growth, and Leverage and their effect on profitability. This study aims to analyze the influence of Cash Turnover, Sales Growth, and Leverage on the Profitability of Manufacturing Companies in the Retail Trade sub Sector Listed on the Indonesia Stock Exchange in 2016 – 2020.The sample used 40 samples were calculated based on predetermined criteria. The data collection method uses purposive sampling. The research method uses quantitative methods, the research instrument is financial statements. This study proves that Cash Turnover, Sales Growth, and Leverage simultaneously have a significant effect on profitability. While partial cash turnover and sales growth do not affect profitability.
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1.   INTRODUCTION

People seek ease and practicality in order to meet their daily demands as the economy expands and lifestyles change[1]. This presents a challenge and an opportunity for the organization, with the challenge being the fierce business competition, which forces companies to enhance performance in order to survive and accomplish their objectives [2]. A key factor in attaining company objectives is the organization's foresight in spotting opportunities and developing a business that meets community requirements [3].

Retail trading companies, also known as retail businesses, are companies that are no longer obscure to the community and have been successful in gaining their attention[4]. The primary objective of the business' operations is to maximize earnings [5]. Being profitable is crucial for a business because it describes how well it is performing in terms of its capacity to make money[6]. [7]. Profitable businesses can entice investors to make investments [8]. However, for employees of the company, salary increases are more likely to occur the higher the company's profitability [9].

The ratio used to determine a company's ability to turn a profit is called profitability. This profitability gives a general idea of how well the business runs to benefit the business [10]. Because it serves as one of the pillars for determining a company's health, profitability has significant significance for the business [11]. Given that corporate profitability affects company survival, profitability is an essential area of focus [12].

Profit margins, return on assets (ROA), sometimes known as return on investment (ROI), and profits per share are three ratios that make up a profitability ratio [13]. The net profit margin,

commonly referred to as the ratio of revenue to sales, is used in this study as a proxy for profitability. The amount of net profit the business makes on each sale is shown by the net profit margin ratio [14]. The ability of the company to cut costs during a specific time period can also be inferred from the Net Profit Margin ratio [15], [16].

By comparing the different financial statement components, particularly the balance sheet financial statements and income statements, it is possible to apply profitability ratios [17]. Measurements can be taken during a range of operational times. The objective is to track the company's development throughout a specific time period, whether it be increasing or decreasing, and search for these changes. Investors are constantly concerned with profitability; they frequently estimate profitability and look for the things that affect it. Working capital and leverage are two of the factors that affect profitability that are examined as part of basic analysis[18]. [19].

Working capital is defined by Cashmere as money allocated to a company's short-term, everyday activities. Working capital can also be thought of as all of a company's current assets, or current assets less current debt. To put it another way, working capital is an investment made in short-term or current assets that are used for a variety of tasks at once [17]. This analysis substitutes cash turnover and sales growth for working capital. Leverage, which is a ratio that explains the relationship between a company's debt to capital and can be used to determine how much of a company is funded by debt or outside sources compared to its ability to be explained by capital, is another factor that affects profitability [20]. The higher a company's debt ratio, the more debt it uses and the greater the business risk it faces, particularly when the economy is not doing well.

2.   METHOD

The type of data used in this study is secondary data. This secondary data was obtained by the observation method which is direct observation or documents used in collecting research data and documentation, namely in the form of financial reports which are the object of research. Data was obtained through the Indonesia Stock Exchange (IDX). The research was conducted in Jakarta, with the time for conducting this research starting from October 2020 to June 2021. This study using purposive sampling, namely random sample selection based on certain considerations that are adjusted to the objectives or research problems [21].

3.   RESULT AND DISCUSSION
a. Descriptive statistics

Table 1. Statistics Descriptive

Variabel	N	*Min*	*Max*	*Mean*	*Std. Deviation*
Cash turnover (X1)	40	1,34	115,01	25,7388	26,30928
Sales growth (X2)	40	-0,55	0,26	0,0240	0,17273
Leverage (X3)	40	0,22	9,87	1,6698	1,75874
NPM (Y)	40	-0,18	0,20	0,0368	0,07862

Source: Data processing results SPSS 25.0

Based on the table above, an explanation of the descriptive statistics for each variable is as follows:

1) N = 40, meaning that the data in this study is 40 data. In this study, the sample was obtained from 8 manufacturing companies in the retail trade sub-sector that were listed on the Indonesia Stock Exchange for 5 years, namely from 2016 to 2020 with a sample of 40 data.

2) The cash turnover variable shows a minimum value of 1.34 by PT Ramayana Lestari Sentosa Tbk in 2020 and a maximum value of 115.01 by PT Hero Supermarket Tbk in 2020. While the average value (mean) is 25.7388 with a standard deviation of 26.30928.

3) The sales growth variable has a minimum value of -0.55 which comes from PT Ramayana Lestari Sentosa Tbk in 2020 and a maximum value of 0.26 which comes from PT Supra Boga Lestari Tbk in 2020. In the descriptive test the minimum value of the sales growth variable shows a minus value, this is due to the application of a sales growth proxy where the current year's sales are reduced by the previous year's sales and then divided by the previous year's sales. So if the sales value in the previous year is greater than in the current year it will produce a minus value due to a decrease in sales.

4) The leverage variable shows a minimum value of 0.22 which comes from PT Ace Hardware Indonesia Tbk in 2016 and a maximum value of 9.87 which comes from PT Matahari Department Store Tbk in 2020. While the average value is 1.6698. This means that the mean value is smaller than the standard deviation, thus indicating that the data is not normally distributed.

5) The profitability variable as measured using net profit margin (NPM) has a minimum value of -0.18 by PT Matahari Department Store Tbk in 2020 and a maximum value of 0.20 by PT Matahari Department Store Tbk in 2016. The average value (mean) profitability of 0.0368 with a standard deviation of 0.07862. This means that the data is not normally distributed because the mean value is smaller than the standard deviation.

b. Normality test

Table 2. Normality test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		40
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,05066267
Most Extreme Differences	Absolute	,084
	Positive	,084
	Negative	-,066
Test Statistic		,084
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Data processing results SPSS 25.0

Based on table 2. above, the Asymp value is obtained. Sig. (2-tailed) of 0.200 is greater than 0.05. So according to the basis for decision making in the Kolmogorov-Smirnov normality test above, it can be concluded that the data is normally distributed. Thus, the normality assumptions or requirements in the regression model have been fulfilled. To support the results of the normality test, the normal P-P plot graph is attached as follows:
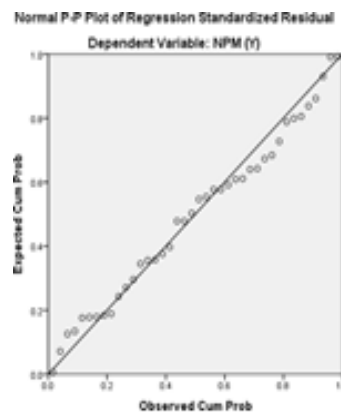
Figure 1. Normality Probability Plot

In Figure 1. above, it can be seen that the data points spread around the diagonal line and the distribution follows the direction of the diagonal graph. Thus, it can be concluded that the data in this study are normally distributed

c. Multicollinearity Test Results

Table 3. Multicollinearity Test

	Model	Unstardardized coefficient		Standardized coefficient	Collinerity statistics	
		B	Std. error	Beta	Tolerance	VIF
Per	Constant	0,087	0,014	-0,428	0,959	1,043
	Cash turnover (X1)	-0,001	0,000			
	Sales Growth (X2)	0,205	0,051	0,451	0,936	1,068
	Leverage (X3)	-0,013	0,005	-0,298	0,902	1,109

a. *Dependent variable*: NPM (Y)
Source: Data processing results SPSS 25.0

Based on table 3. the results of calculating the tolerance value show that there is none independent variables that have a tolerance value of less than 0.10 which means there is no correlation between the independent variables. The results of calculating the variance inflation factor (VIF) value also show the same thing, that is, none of the independent variables has a VIF value of more than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

d. Autocorrelation Test Results

Table 4. Autocorrelation Test Results

Model	R	R square	Adjusted R square	Std. error of the estimate	Durbin-Watson
1	0,765[a]	0,585	0,550	0,05273	1,859

a. *Predictors: (Constant),* Leverage (X_3), Cash Turnover (X_1), Sales Growth (X_2)
b. *Dependent variable*: NPM (Y)
Source: Data processing results SPSS 25.0

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Seen from table 4, the Durbin-Watson value is 1.859 and the du value is 1.7209. Based on the data can be concluded that dw > du (1.859 > 1.7209) which means there is no autocorrelation.
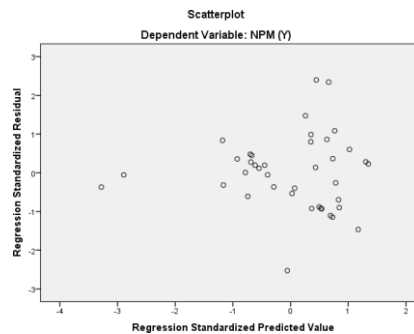
e. Heteroscedasticity Test

Figure 2. Normality Probability Plot

From the graph above, it can be seen that the dots spread randomly and are spread both above and below the number 0 and do not form a specific polar. It can be concluded that there is no heteroscedasticity in the regression model, so the regression model is feasible to use to predict profitability based on the independent variables of cash turnover, sales growth and leverage.

f. Multiple Linear Regression Analysis Test

Table 5. Multiple Linear Regression Analysis Test

	Model	Unstardardized coefficient		Standardized coefficient	t	Sig.
		B	Std. error	Beta		
Per	(Constant)	0,087	0,014	-0,428	6,338	0,000
	Cash turnover (X1)	-0,001	0,000		3,907	0,000
	Sales Growth (X2)	0,205	0,051	0,451	4,065	0,000
	Leverage (X3)	-0,013	0,005	-0,298	2,632	0,012

Source:·Data processing results·SPSS 25.0

Based on the table above, it can be seen that the regression equation is as follows:

NPM = 0.087 – 0.001 (CST) + 0.205 (Sales) – 0.013 (DER) + e

Explanation of the multiple regression equation as follows,
1. A constant value (α) of 0.087 means that if the independent variables of cash turnover, sales growth and leverage are considered constant, the profitability is 0.087.

2. Cash turnover has a regression coefficient of -0.001. This means that if cash turnover increases by 1 unit, while the other independent variables remain the same, the effect on profitability will decrease by 0.001 or 0.1%.

2) The value of the regression coefficient on the sales growth variable is 0.205. This means that if sales growth increases by 1 unit, while the other independent variables remain the same, the effect on profitability will increase by 0.205 or 20.5%.

3) The value of the regression coefficient on the leverage variable is -0.013. This means that if the leverage increases by 1 unit, while the other independent variables remain the same, the effect on profitability will decrease by 0.013 or 1.3%.

Based on table 5. It can be seen that the results of the t statistical test are as follows:

1) Based on table 5, the cash turnover variable has an absolute value tcount = 3.907 > ttable = 2.02809 with a significance value of 0.000 <0.05, thus giving a decision to reject H0, which means it can prove that cash turnover has a positive and significant effect on NPM.

2) Because the results of testing the variable sales growth give a value of tcount = 4.065 > ttable = 2.02809 and a significance value of 0.000 <0.05, so giving a decision to reject H0 means that it can prove that cash turnover has a positive and significant effect on NPM.

3) Based on table 5, the leverage variable has an absolute value tcount = 2.632 > ttable = 2.02809 with a significance value of 0.012 <0.05, thus giving a decision to reject H0, which means it can prove that leverage has a positive and significant effect on NPM.

g. F test

Table 6. Result F Test

	Model	Sum of square	df	Mean square	F	Sig.
1	Regression	0,141	3	0,047	16,900	0,000[b]
	Residual	0,100	36	0,003		
	Total	0,241	39			

a. *dependent variable*: NPM (Y)
b. *predictors: (Constant),* leverage (X3), cash turnover (X1), sales growth (X2)
   Source: Data processing results SPSS 25.0

From the results of the ANOVA or F test in table 6, it gives the results of Fcount = 16.900 > Ftable = 2.87 and a significance value of 0.000 <0.05, so that the results of rejecting H0 are described. This means cash turnover, sales growth and leverage simultaneously have a significant influence on NPM.

h. Coefficient Of Determination

Table 7. Coefficient Of Determination Test (R^2)

Model	R	R square	Adjusted R square	Std. error of the estimate
1	0,765[a]	0,585	0,550	0,05273

Source: Data processing results SPSS 25.0

Based on table 7 on the coefficient of determination of the regression model, the adjusted R Square value is 0.585. This means that 58.50% of the variation in profitability can be explained

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by cash turnover, sales growth and leverage. While the remaining 41,50% (100% - 58.50%) can be explained by factors other than the independent variable.

Discussion

Effect of Cash Turnover on Profitability

The cash turnover variable has an absolute value tcount = 3.907 > ttable = 2.02809 with a significance value of 0.000 <0.05, thus giving the decision to reject H0 and Ha is accepted. This shows that cash turnover has a positive effect on profitability in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Cash turnover is the period of cash circulation that starts when cash is invested until it returns to cash. Cash turnover is used to measure the level of cash available to pay bills and costs related to sales. If the company's cash turnover is higher, the level of liquidity is also high and reduces the company's risk. Conversely, if the cash turnover is smaller, the company is threatened with not being able to fulfill its financial obligations.

Effect of Sales Growth on Profitability

Based on the research results, it can be seen that the value of tcount = 4.065 > ttable = 2.02809 and a significance value of 0.000 <0.05, thus giving the decision to reject H0 means that it can prove that sales growth has a positive and significant effect on NPM. Sales are an important criterion for assessing a company's profitability and are the main indicator of company activity. Sales growth has an influence on increasing company profitability.

Effect of Leverage on Profitability

Based on research, the leverage variable has an absolute value of tcount = 2.632 > ttable = 2.02809 with a significance value of 0.012 < 0.05, thus giving the decision to reject H0, which means it can prove that leverage (DER) has a positive and significant effect on NPM. Companies that have high DER tend to have low profitability. On the other hand, companies with low DER tend to have high profitability. DER describes the extent to which the owner's capital can cover debts to outsiders. The smaller the DER, the better. For outsider security, the best ratio is if the capital is greater than the amount of debt or at least the same. A high DER value affects profit, which causes the company's profitability to be low. This is caused by the payment of costs arising from larger debts or loans. Declining company profits cause the value of profitability to be low.

4. CONLUSION

This study aims to examine the effect of cash turnover, sales growth and leverage on profitability. Of the three hypotheses proposed, there is one hypothesis that is accepted and two hypotheses that are rejected. The conclusions obtained in this study are as follows: Based on the results of research conducted by the author, the cash turnover variable has an absolute value tcount = 3.907 > ttable = 2.02809 with a significance value of 0.000 <0.05, thus giving the decision to reject H0 and Ha accepted. This shows that cash turnover has a positive effect on profitability in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The higher the Cash Turnover, the higher the level of liquidity and reduces company risk. Conversely, if the cash turnover is smaller, the company is threatened with being unable to meet financial obligations. Sales Growth partially affects Profitability in Manufacturing Companies in the Retail Trade Sub Sector listed on the Indonesia Stock Exchange in 2016-2020. The value of tcount = 4.065 > ttable = 2.02809 and a significance value of 0.000 <0.05, thus giving a decision to reject H0. The level of profitability describes the company's performance as seen from the company's ability to generate profits. The higher the level of profitability, the better the

company's ability to generate profit. The leverage variable has an absolute value tcount = 2.632 > ttable = 2.02809 with a significance value of 0.012 <0.05, thus giving a decision to reject H0 which means it can prove that leverage (DER) has a positive and significant effect on NPM. Companies that have high DER tend to have low profitability. On the other hand, companies with low DER tend to have high profitability. Based on the results of tests conducted by the writer Cash Turnover, Sales Growth and Leverage simultaneously affect Profitability. Based on the test results of the coefficient of determination, the adjusted R Square value is 0.585. This means that 58.50% of the variation in profitability can be explained by cash turnover, sales growth and leverage.

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