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THE EFFECT OF TOTAL ASSETS TURNOVER, CASH TURNOVER AND RECEIVABLES TURNOVER ON PROFITABILITY IN PT. ASTRA AGRO LESTARI

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ABSTRACT

This study aims to analyze the effect of total asset turnover, cash turnover and accounts receivable turnover on profitability. From the research results, it is found that (1) Total asset turnover partially does not have a significant effect on profitability at PT. Astra Agro Lestari Tbk. (2) Cash turnover partially has no significant effect on profitability at PT. Astra Agro Lestari Tb, (3) Accounts receivable turnover partially has no significant effect on profitability at PT. Astra Agro Lestari Tbk. The subject of this research is PT. Astra Agro Lestari Tbk itself, and the object of research is Total Asset Turnover (X1), Cash Turnover (X2), Accounts Receivable Turnover (X3), and Profitability (Y). Data were collected by document recording method and then analyzed using multiple linear regression analysis using SPSS.
Keywords: Total Asset Turnover, Cash Turnover, Accounts Receivable Turnover, and Profitability.

INTRODUCTION

In a company, the company's financial activities are usually integrated with each other to achieve the level of profitability that is the target of the company concerned. Where these activities are related to the use of funds (investment decisions), then obtaining funds (policies from funding), as well as profit sharing (dividend policies).

The concept of profitability in financial theory is often used as an indicator of the company's fundamental performance representing management performance. In accordance with the development of research models in the field of financial management, generally the profitability dimension has a causal relationship to firm value.

Profitability is a ratio to measure the company's ability to earn profits. This ratio also provides a measure of the effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company. Profitability ratio is a ratio used to measure the company's ability to generate profits from normal business activities. Profitability ratio is also known as Profitability ratio.

There are several types of profitability ratios including the ratio of Return on Assets (ROA). In this study, the authors use the ratio of Return on Assets. Return on Assets is a comparison between net income after tax with total assets. The higher the ratio of net income to total assets, the better for the cooperative. High profitability will be able to support operational activities optimally.

In this study, the authors will see how the influence of asset turnover, cash turnover, and receivables turnover on profitability at PT. Astra Agro Lestari Tbk.

PT. Astra Agro Lestari Tbk. This is one of the palm oil processing companies. The following will be presented profitability data from PT. Astra Agro Lestari Tbk. from 2016 - 2021.

Table. 1 Profitability Data of PT. Astra Agro Lestari Tbk. tahun 2016-2021.

YEARS	NET PRIFIT (Rp.000.000)	TOTAL ASSET (Rp.000.000)	ROA (%)	Criteria
2016	2.213.375	24.226.122	0,0914	Very Low
2017	2.069.786	24.435.426	0,0730	Very Low
2018	1.520.723	26.856.987	0,0566	Very Low
2019	243.629	26.974.124	0,0090	Very Low
2020	893.779	27.781.231	0,0322	Very Low
2021	2.067.362	30.399.906	0,0680	Very Low

Source: PT. Astra Agro Lestari Tbk. year 2022

From the table it can be seen that the profitability of PT. Astra Agro Lestari Tbk. 2016 to 2021 has very low criteria. This criterion is based on SE Bank Indonesia No.6/23/DPNP 2004.

LITERATURE REVIEW

Agency Theory (Agency Theory)

The agency relationship perspective is the basis used to understand this research. Jensen and Meekling (1976) stated that the agency relationship is a contract between the manager (agent) and the investor (principal). The conflict of interest between the owner and the agent does not always act in accordance with the interests of the principal, thus triggering agency costs. The emergence of earnings management can be explained by agency theory. As an agent, the manager is morally responsible for optimizing the profits of the owners (principals) and in return will be compensated according to the contract. Thus there are two different interests in the company where each party seeks to achieve or maintain the desired level of prosperity (Ali, 2002).

Profitability

One of the tools used to determine the financial condition, in this case the level of profitability of a company, is in the form of financial reports (financial reports) which are prepared at the end of each period containing financial responsibilities for the operation of a business. Financial statements are the result of an accounting process that can be used as a communication tool between financial data or activities of a company and other parties with an interest in such data or activities. Financial data in question is data reflected in financial statements, which provide an overview of a company's finances, consisting of balance sheet reports, profit and loss and other financial reports. (Kashmir, 2012:310).

Profitability or the ability of a company to generate profits is a measure in the form of a percentage used to assess the extent to which the company is able to generate profits at an acceptable level.

Profitability is the end result of various policies and decisions as well as providing the final answer about the effectiveness of company management. (Weston and Copeland in Meli Aprelia, 2011: 23)

Profitability is the ability of a company to earn a profit in relation to sales, total assets and own capital. (Sartono, 2011:122)

Profitability ratio is a ratio to measure the effectiveness of management as a whole which is indicated by the size of the level of profit obtained in relation to sales and investment. (Fahmi, 2013: 135).

The dimensions of the profitability concept can explain the company's management performance in detail as follows: (Harmono, 2018: 110).

1. $Net\ Profit\ Margin = \frac{Net\ Profit\ After\ Tax}{Sales}$
2. $Gross\ Profit\ Margin = \frac{Earning\ Bifore\ Income\ Tax)}{Sales}$
3. $Return\ on\ Asset = \frac{Net\ Profit\ After\ Tax}{Total\ Asset}$
4. $Return\ on\ Equity = \frac{Net\ Profit\ After\ Tax -\ Preferred\ Stock\ Devidend}{Owner'Equity -\ par\ Value\ of\ Preferred\ Stock}$
5. $Earning\ per\ Share = \frac{Profit\ After}{number\ of\ shares\ outstanding}$
6. $Return\ on\ Investment = Profit\ Margin\ \ X\ \ TATO$

In measuring the level of profitability in this case the author uses the ratio of Return on Assets.

Factors that affect profitability include: (Kasmir, 2012: 89)

a. Net Profit Margin
Net Profit Margin (NPM) or in Indonesian known as Net Profit Margin is a profitability ratio used to measure the percentage of a company's net profit to the remaining sales after deducting all related costs. Net Profit Margin is often referred to as the Profit Margin Ratio (Profit Margin Ratio).

b. Total Asset Turnover
The Total Asset Turnover Ratio is an activity ratio (efficiency ratio) that measures the company's ability to generate net sales with average total assets.

c. Net profit
Net profit is the difference between Total Sales less Production Costs by taking into account other costs incurred during the production process.

d. Sale
Sales is one of the marketing functions that is very important and decisive for the company in achieving the company's goals, namely obtaining profits to maintain the survival of the company.

e. Total assets
Assets are wealth, either in the form of money or other objects that can be valued in money or tangible intangibles, such as patent rights.

f. Fixed assets
Fixed assets are tangible assets acquired in ready-to-use or pre-built form which are used in the company's operations and have a useful life of more than one year.

g. Total cost
The accumulation of all costs needed in the production process with the aim of producing a product or item.

Furthermore, the factors that affect profitability are as follows: (Andriawan, 2019; 34)

a. Cash turnover. Cash turnover is the ability of cash to generate income so that it can be seen how many times the cash rotates during the current year.
b. Accounts receivable turnover. Accounts receivable turnover describes the average number of sales or collection cycles carried out by the company during the current year.
c. Inventory turnover. Inventory turnover is the average inventory level during the year.
d. Working capital turnover. Working capital turnover is the ratio used to measure the effectiveness of working capital (current assets) during the current year.
e. Asset turnover. This asset turnover is a method used to measure success or success in an ongoing company or in other words to assess the efficiency of a business in carrying out its operations during the current year.

Total Asset Turnover

Understanding of Total Asset Turnover or Total Asset Turnover according to Brigham and Houston is a ratio that measures the asset turnover of the company, and is calculated by dividing sales by total assets (Brigham and Houston, 2006; 139).

Furthermore, according to J.P. Sitanggang that Total Asset Turnover is "a ratio that measures how all assets owned by the company are operationalized in terms of supporting the company's sales (J.P. Sitanggang, 2014; 27).

From these two understandings, it can be said that Total Asset Turnover is part of the activity ratio that measures the level of efficiency and effectiveness of all assets used by the company in an effort to increase sales obtained from each rupiah of assets by comparing sales with total assets.

To find out the total turnover of this asset can be calculated by the following formula:

$$\text{Total Asset Turnover} = \frac{Sales}{Total\ Assets}$$

Source : J.P. Sitanggang *“Manajemen Keuangan Perusahaan” (2014;27)*

Cash Turnover

As it is known that cash is the most current or liquid asset which is one of the elements of working capital with the highest liquidity (which is the easiest to convert into money to meet the company's short-term obligations), which means that the greater the amount of cash owned by a company means the higher the level of liquidity.

If a company only pursues profits without paying attention to the level of liquidity, eventually the company will be in a state of being unable to pay its short-term debts if at any time the company is billed by other parties.

Cash Turnover is a ratio used to measure the level of cash availability to pay bills (debts) and costs related to sales (Kasmir, 2018; 140).

Cash Turnover (Cash Turnover) is “the number of times cash flows in a certain period through sales. The higher the cash turnover, the better, because it shows more efficiency in the use of cash (Diana and Santoso, 2016).

The activity level of working capital investment turnover and fixed asset investment is as follows (Harmono, 2018: 109):

a. $Inventory\ Turnover = \frac{Sales}{Average\ Inventory}$
b. $A/R\ Turnover = \frac{Sales}{Average\ Accounts\ Receivable}$
c. $TATO = \frac{Sales}{Total\ Assets}$
d. $Cash\ Turnover = \frac{Sales}{Cash\ Average}$

Source : Harmono, 2018

From the dimensions mentioned above, the writer uses Cash Turnover in the later analysis.

Accounts Receivable Turnover

Receivables are part of working capital where its existence will always rotate, in the sense that the receivables will be collected at a certain time. These receivables occur as a result of the sale of goods or services to consumers whose payments are inconsistent or in cash.
Receivables are a number of claims that will be received by the company (generally in the form of cash) from other parties (Hery, 2015; 265).
Receivable turnover ratio (receivable turnover ratio) is used to estimate the number of times in a certain period, the amount of cash inflows to the company obtained from trade receivables, the faster accounts receivable or incoming bills will be better, because it will increase the company's liquidity (Harmono and Halim , 2016 ; 204).
This receivables turnover rate can be searched by the formula:

$$A/R\ Turnover = \frac{Sales}{Average\ accounts\ Receivable}$$

Sumber : Harmono 2018

The factors that influence the size of the receivables turnover are as follows: (Riyanto, 2014; 85-87)

a. Credit receivable turnover. The greater the proportion of credit sales from total sales, the greater the amount of investment in receivables. With the increasing turnover of credit receivables each year, it means that the company must provide even greater investment in receivables.
b. Credit sales payment terms. Credit terms can be strict or lenient. If the company sets strict payment terms, it means that the company prioritizes credit safety over profitability considerations. Strict conditions, for example in the form of short payment deadlines, heavy interest charges on late payments of receivables.
c. Provisions regarding credit restrictions. In credit sales, the company can set a maximum limit or ceiling for credit given to its customers. The higher the ceiling set for each subscription, the greater the funds invested in receivables.
d. Wisdom in collecting receivables. The company can exercise a policy of active or passive collection of receivables. Companies that carry out an active policy in collecting receivables will have to spend more money to finance these receivable collection activities compared to other companies that carry out their policies passively.
e. The habit of paying from customers. There are some customers who have the habit of paying by using the opportunity to get a cash discount, and there are others who do not use this

opportunity. This difference in payment methods depends on how they evaluate which is more profitable between the two alternatives.

Hypothesis

Based on the description of the background of the problem, the formulation of the problem, and the literature review above, the author proposes a hypothesis or temporary answer as follows:

1. It is assumed that total asset turnover, cash turnover, and accounts receivable turnover simultaneously have a significant effect on profitability.
2. It is assumed that total asset turnover partially has a significant effect on profitability.
3. It is suspected that cash turnover partially has a significant effect on profitability.
4. It is suspected that accounts receivable turnover partially has a significant effect on profitability.

RESEARCH METHODS

Location and Time of Research

In this study, the authors conducted direct research on the company PT. Astra Agro Lestari Tbk. Which the authors conducted research for approximately six months.

Types and sources of Data

Sources of data in this study the authors use secondary data which is data that comes from a second source that can be obtained directly from PT. Astra Agro Lestari Tbk. Listed on the Indonesia Stock Exchange 2016-2021, as well as through books, brochures and articles obtained from websites related to this research. Secondary data is a source of research data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties). (Supomo, et. al, 2017; 143)

Data Collection Techniques

The data collection techniques that the author uses in this study are:

1. Interviews, namely by holding direct questions and answers with parties who are directly related to this research on employees who are related to the company PT. Astra Agro Lestari Tbk.
2. Literature Study, namely by conducting a review study of literature books, and reports related to the problems contained in this research.

Data Analysis

1. **Classic Assumption Test**

a. **Normality Test**

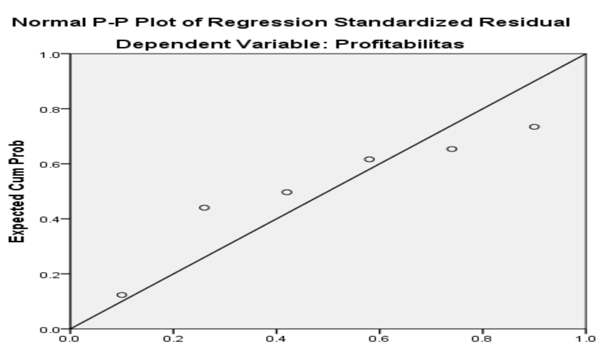

Figure : 1 Normality Test

From the graph of the normality test, it can be seen that the data is around the diagonal line and follows the direction of the diagonal line, so the variable meets the assumption of normality.

b. Heteroscedasticity Test

Figure : 2 Heteroscedasticity Test Results

From the scatterplot image above, it can be seen that these points do not form a certain pattern and spread randomly above and below the number zero on the Y axis. So it can be interpreted that there is no heteroscedasticity in the regression model of this study.

c. Multicollinearity Test

Table 2: Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Per. Total Asset	.807	1.239
	Per. Kas	.789	1.268
	Per. Piutang	.692	1.445

According to table 2, it can be seen that the amount of data does not have a VIF of more than 10, meaning that it can be concluded that there is no multicollinearity.

d. Autocorrelation Test

Table 3. : Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.773[a]	.598	-.005	.0299218	3.031

a. Predictors: (Constant), Per. Piutang, Per. Total Asset, Per. Kas
b. Dependent Variable: Profitabilitas

Durbin Watson value > alpha (3.031 > 0.05), then there is no autocorrelation among the independent variables in the regression equation model.

2. Multiple Linear Regression Analysis

Y = -0.001 – 0.153 X1 – 0.001 X2 + 0.008 X3

The equation from the regression above can be explained as follows:

1. Constant of -0.001
   This means that this constant indicates that if there is no variable Total Asset Turnover (X1), Cash Turnover (X2) and Accounts Receivable Turnover (X3) or the value is 0, then profitability (Y) is -0.001.

2. Total Asset Turnover Coefficient (X1) is -0.153
   This means that if the Total Asset Turnover increases by one unit while the Cash Turnover (X2) and Accounts Receivable Turnover (X3) variables remain, profitability will decrease by 0.153.
3. Cash Turnover Coefficient (X2) is -0.001
   This means that if the Cash Turnover variable increases by one unit while the Total Asset Turnover (X1) and Accounts Receivable Turnover (X3) variables remain, the profitability will decrease by 0.001.
4. Accounts Receivable Turnover Coefficient of 0.008
   This means that if the Accounts Receivable Turnover variable increases by one unit, while the Total Asset Turnover (X1) and Cash Turnover (X2) variables remain constant, Profitability will increase by 0.008.

a. Correlation coefficient

Table 4. : Correlation Coefficient

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.773[a]	.598	-.005	.0299218	3.031

a. Predictors: (Constant), Per. Piutang, Per. Total Asset, Per. Kas
b. Dependent Variable: Profitabilitas

The correlation coefficient from table 4.3 above can be seen at 0.773, meaning that the relationship between the variables of Total Assets Turnover, Cash Turnover and Accounts Receivable Turnover with Profitability has a close or strong relationship.

b. Coefficient of Determination

The contribution given by the variables of Total Asset Turnover, Cash Turnover and Accounts Receivable Turnover to Profitability is 59.8%. While the remaining 40.2% was contributed by other variables that were not investigated in this study.

3. Hypothesis Test

a. F Test or Simultaneous Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	3	.001	.964	.545[b]
	Residual	.002	2	.001		
	Total	.004	5			

a. Dependent Variable: PROFITABILITAS
b. Predictors: (Constant), PERP PIUTANG, PERP TOTAL ASSET, PERP KAS

It turned out that simultaneously total asset turnover, cash turnover and accounts receivable turnover had no effect on profitability. Because the significance is 0.545 > 0.05.

b. T test or Partial Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.004	.144		-.025	.982		
	PERP TOTAL ASSET	-.157	.210	-.378	-.746	.534	.797	1.254
	PERP KAS	-.001	.000	-.735	-1.423	.291	.765	1.307
	PERP PIUTANG	.008	.005	.828	1.498	.273	.669	1.494

a. Dependent Variable: PROFITABILITAS

1). The effect of total asset turnover on profitability has no effect. Because the significance is 0.534 > 0.05
2). The effect of cash turnover on profitability has no effect. Because the significance is 0.291 > 0.05
3). The influence of receivables turnover also has no effect on profitability. Because the significance is 0.273 > 0.05.

DISCUSSION

Effect of Total Asset Turnover on Profitability

The results of the simultaneous test and partial test show that total asset turnover does not significantly affect profitability. This means that this research is not in line with the research of Nirmala Sari (2015) which says that total asset turnover has a significant effect on profitability. This is evidenced by the phenomenon that occurs that the higher the level of asset turnover will reduce the level of company profitability. Because assets that have been used do not bring profit or profit for the company.

Effect of Cash Turnover on Profitability

Based on the test results simultaneously and partially cash turnover has no significant effect on profitability. Which means this research is not in line with the research of Arfan Ikhsan and Suryani (2017) which states that cash turnover has a significant effect on profitability turnover. This is evidenced by the phenomenon that the higher the level of cash turnover will result in lower profitability.

The influence of receivables turnover on profitability

Based on the results of the partial test, it shows that accounts receivable turnover has no significant effect on profitability. This means that this research is also not in line with the research of Nuriyani and Rachma Zannati (2017) which states that receivables turnover has a positive effect on profitability. Despite the fact that the higher the level of receivables turnover, the higher the level of profitability. With a note that the company must be observant in managing receivables turnover so that uncollectible receivables occur.

CONCLUSION

In the last part, the writer can present some conclusions. Based on the data that has been obtained and the tests that have been carried out on the problem, the conclusion is that total asset turnover has no effect on profitability. Cash turnover has no effect on profitability. Likewise, accounts receivable turnover has no effect on profitability.

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