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THE EFFECT OF CASH TURNOVER AND INVENTORY TURNOVER ON RETURN ON ASSETS (ROA)

Annisa Intan Nuraini
Langlangbuana University, Indonesia
Annisaintan53@gmail.com

Abstract: Profitability has an important role in the company. The profitability ratio that is often used is Return on Assets (ROA). The use of funds and the company must be effective, to be able to determine how much working capital the company has, it can be seen from its cash turnover and inventory turnover. The objective of this research is to analyze the effect of Cash Turnover and Inventory Turnover on Return on assets. This research used a sample of retail trade subsector companies in the Indonesia Stock Exchange in 2015-2020. Based on the purposive sampling method, the total sample of this research was 36 financial statements. The hypothesis testing in this research was done using multiple regression techniques at a significance level of 5%. The research results indicate that simultaneously Cash Turnover and Inventory Turnover affect Return on Assets. This is evidenced by the F-observed value of 267.341 which is greater than the F_{table} of 4.14 and a significance value of 0.000 which means it is smaller than 0.05. In addition, the coefficient of determination (R^2) of 0.938, indicates that each Return on Asset is influenced by Cash Turnover and Inventory Turnover by 93.8% while the remaining 6.2% is influenced by other variables.
Keywords: Cash Turnover; Inventory Turnover; Return on Asset

INTRODUCTION

In the current era of globalization, one of which is in the field of business growing rapidly. Developments that occur are followed by increasingly fierce competition, therefore companies are required to have goals and strategies to continue to operate and run their business in the long term. The purpose of a company being founded is generally profit-oriented and every company always strives for maximum profit.

Profitability has an important role in the company as a reflection of the company's future whether it has good development in the future. For companies, leaders, and employees, profitability is very important where to find out how much progress or success the company leads, and for employees, the higher the profit level, the greater the opportunity for them to get a salary increase. The reason for choosing profitability as the dependent variable is because basically, the company expects to increase the profitability of the company. High profitability can support the company's operations to the fullest. According to Kasmir (2016), the profitability ratio is the ratio used to assess the company's ability to seek profit. Companies can get high or low profitability, depending on the effectiveness or ineffectiveness of the company is running its business.

There are several kinds of profitability ratios, one of the profitability ratios that is often used is Return On Assets (ROA). According to Sukamulja (2017) ROA is a measurement of the company's ability to generate net profits or profits from company assets, by calculating the distribution of net income by total assets. Meanwhile, Hery (2015) said that Return on Assets is a ratio that shows the magnitude of the influence of assets in generating profits (net income). The higher the rate of return on assets, the greater the amount of profit from each rupiah embedded in total assets. Conversely, the smaller the rate of return on assets, the lower the amount of profit from each rupiah embedded in total assets.

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Based on a quote from Kasmir (2015) Return On Assets is a ratio that shows net income from the total assets (assets) used in the company. Meanwhile, Yuniningsih (2018) said Return On Assets is a ratio that calculates the company's performance to obtain net income based on the total assets owned by the company.

Based on the above understanding, it can be concluded that Return On Assets (ROA) is a ratio used to determine how much the company's profit (net income) is generated from the total assets owned by the company on the investment invested. As well as to measure how much the company's ability to manage its assets for the rate of return on investment, the higher this ratio, the better the company's profits.

According to Sukamulja (2017) the formula for finding Return On Assets (ROA) is:

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

One of the profitability ratios that will be used in this study is to measure the small profitability in the company by using Return On Assets (rate of return on assets) because Return On Assets is a ratio used to measure the company's ability to generate profits from the use of all assets and resources owned by the company. High profits or profits can support the company's operational activities to the fullest. High or low profits owned by the company are influenced by several factors such as working capital. According to Kasmir (2015) the notion of working capital is the capital used to carry out the company's operations. Working capital is defined as an investment invested in current assets or short-term assets, such as cash, banks, securities, receivables, inventories, and other current assets.

The turnover of each component in working capital greatly affects the period of turnover of working capital itself. Turnover of working capital that takes place in a relatively short period is what every company wants because it can have an impact on the rate of return on working capital that has been invested relatively quickly.

Given the importance of working capital in the company, managers must be able to plan the right amount of working capital and according to the needs of the company. If the company has an excess working capital, it can cause a lot of disturbing funds, so that it can harm the company due to using ineffective funds which can reduce profitability. Meanwhile, if there is a shortage of working capital, it can hamper the company's operational activities. To be able to determine how much working capital the company will use for its operational activities, it can be seen from the turnover of each working capital itself, such as cash turnover and inventory turnover.

According to Kasmir (2015), cash turnover is comparing sales with average cash, cash turnover shows the ability of cash to generate income by looking at how many times cash rotates in one period. Septiana (2019) said that cash turnover is used to measure how much the company's cash availability level is to pay obligations and costs related to sales. Meanwhile, according to Halim (2016), cash turnover is the number of times cash rotates during one period. The higher the cash turnover, the smaller the amount of cash needed in the company's operations.

From the above understanding, it can be concluded that cash turnover is to find out how many times cash rotates in one period through sales to generate income, because the faster the cash flow, the faster the return of cash to the company. So that cash can be reused or re-circulated to finance operational activities so that it does not interfere with the company's financial condition.

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According to Septiana (2019) cash turnover can be formulated as follows:

$$\text{Cash Turnover} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

Hery (2016) said the inventory turnover ratio is a ratio that can measure how many times the funds embedded in the inventory can rotate in one period or how long the average inventory stored in the warehouse is until it is sold. Meanwhile, Darmawan (2020) said Inventory turnover is a ratio to find out how many times the company sells and replaces new inventory in one period, as well as how to analyze it to compare it with the industry average.

In the opinion of Sukamulja (2019) Inventory turnover reflects how fast the company can sell inventory. The higher the inventory turnover rate indicates that the faster the inventory is sold and indicates that the company is considered more efficient in managing inventory. The higher the inventory turnover, the better because the company does not have excess stock, but a ratio value that is too high is also not too good which can cause problems for the company, namely inventory will be sold too quickly and the company will be short of stock. According to Jumingan (2017) Inventory turnover shows how many times inventory can be sold and held back by the company in one year. The calculation of inventory turnover is to divide the cost of goods sold by the average inventory.

So from the understanding according to the experts above, it can be concluded that with the inventory turnover the company can control production so that there is no excess product, inventory turnover can also be measured to control the company's finances and show how many times the funds embedded in the inventory rotate in a certain period. With high inventory turnover, it reflects that inventory is quickly sold and the company is considered efficient in managing inventory.

The formula for inventory turnover (Inventory Turnover) according to Darmawan (2020) is:

$$\text{Inventory Turnover} = \frac{\text{Sales}}{\text{Average Inventory}}$$

Formula to calculate Average Inventory:

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

Halim (2016) states that cash turnover is the number of times cash rotates during one period. The higher the cash turnover, the smaller the amount of cash needed in the company's operations. Hery (2016) states that the inventory turnover ratio is a ratio that can measure how many times the funds embedded in inventory can rotate in one period or how long the average inventory stored in the warehouse is until it is sold. Meanwhile, Yuniningsih (2018) said Return On Assets is a ratio that calculates the company's performance to obtain net income based on the total assets owned by the company.

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Based on the explanation above, the research paradigm is structured as follows:

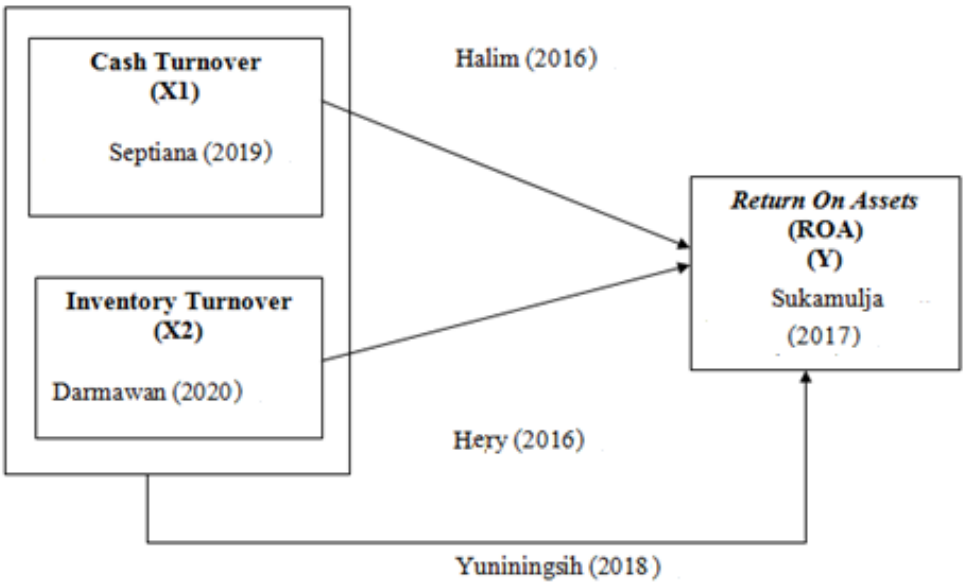

Figure 1. Research Paradigm
Source: Processed data (2021)

Research on cash turnover, inventory turnover, and Return On Assets (ROA) has previously been carried out. Research from Septiady et al. (2019) states that the results of the inventory turnover research have a significant effect on Return On Assets (ROA) and cash turnover has a significant effect on Return On Assets (ROA) simultaneously and partially. And according to Putri & Musmini (2013) regarding the influence of cash turn over to Return On Assets (ROA) which states that cash. Turn over has a positive effect on Return On Assets (ROA). Then according to Afrianah (2016), Simultaneous and partial inventory turnover has a significant effect on ROA. This is also supported by the results of research Hek & Bengawan (2018), which states that partially, cash turnover and inventory turnover variables have a significant effect on Return On Assets (ROA).

This research is inversely proportional to research conducted by (Surya et al. (2017) the results of this study show that simultaneously or partially cash turnover and inventory turnover have no significant effect on Return On Assets (ROA). This is also supported by the results of research from (Amin (2015) which states that cash turnover and inventory turnover have no significant effect on Return On Assets (ROA). Then according to Lestari et al. (2017) Inventory Turnover partially has no significant effect on ROA. And also Canizio (2017) Cash Turnover based on Multiple Linear Regression analysis has no significant effect on ROA.

Based on the background that has been explained, the authors are interested in researching cash turnover, inventory turnover, and Return On Assets (ROA) with the research title "The Effect of Cash Turnover and Inventory Turnover on Return On Assets (ROA) in Retail Trading Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) in the 2015-2020 period".

METHODS

This research was conducted on IDX-listed retail trading company period 2015 - 2020. This study using secondary data sources in collecting the necessary data. According to Siyoto & Sodik (2015), Secondary data is data obtained or data collected

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by researchers from various sources. Secondary data is data obtained from various sources such as journals, books, and reports.

The type of data in this study is quantitative data. Data related to research variables were obtained from the annual reports of retail trade sub-sector companies that were members of the IDX during 2015-2020, research data was obtained from www.idx.co.id which is the official website of the IDX, and obtained from the official website. companies that are sampled in this study. In this study, the data collection process was obtained by: Literature Study, and Internet Research Riset.

The population used in this study are retail trading sub-sector companies listed on the Indonesia Stock Exchange (IDX) with a period of 6 years, starting from 2015 to 2020. The purposive sampling technique was used as a sampling technique in this study. The purposive sampling technique is a sampling technique that can apply certain conditions or criteria to make it easier for researchers to take samples. The criteria set for the determination of the sample in this study are as follows: (1) A go public company listed on the IDX which is included in the Retail Trading sub-sector for 2015-2020; (2) Companies that have information and have all the data needed by researchers. Based on these criteria, the samples in this study were 6 retail trade sub-sector companies listed on the IDX and the samples taken were during the 2015-2020 period.

The author uses descriptive and verification data analysis in this study. This study uses descriptive analysis because it is intended to determine the condition and development of cash turnover, inventory turnover, and cash flow Return on assets (ROA) of each issuer that is part of the retail trade sub-sector listed on the IDX for the 2015-2020 period. Verificative analysis in this study is used to find out partially or simultaneously how much influence cash turnover, inventory turnover, and Return on assets (ROA) have in retail trading sub-sector companies listed on the Indonesia Stock Exchange for the 2015-2020 period.

In this type of quantitative research in analyzing data to get conclusions, researchers perform management calculations and analyze with the help of SPSS (Statistical Product and Service Solution) version 22 to regress the model that has been formulated in the form of statistics descriptive, verification in the form of classical assumption test (test normality, multicollinearity test, testheteroscedasticity, and autocorrelation test), analysis test multiple linear regression, correlation analysis, coefficient of determination, and hypothesis testing (t-test and f test).
The variables in this study are Cash Turnover (X_1), Inventory Turnover (X_2), Return On assets (Y).

RESULTS AND DISCUSSION

The results of this study are based on data processing with SPSS version 21. To find out the explanation of each variable, a descriptive study was conducted. The following is a descriptive statistical analysis of the research data.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Cash Turnover	36	-54,23	68,08	3,4706	29,17156
Inventory Turnover	36	3,94	10,58	7,8878	1,78991
Return On Assets (ROA)	36	-25,10	45,79	3,7853	15,89280
Valid N (listwise)	36				

Source: Processed data (2021)

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Based on the calculation results, it is known that the minimum cash turnover is -54.23. While the maximum cash turnover with a value of 68.08. The overall calculated average value of cash turnover is 3.4706. Furthermore, the value of the standard deviation of the cash turnover is 29,17156, which means that the average increase in the cash turnover variable is +29,17156 and the decrease in the average cash turnover variable is -29,17156. Inventory turnover has a minimum value of 3.94. While the maximum value of inventory turnover is at a value of 10.58. The average value of the inventory turnover is 7.8878, and the standard deviation of the inventory turnover is 1.78991, which means that the average increase in the inventory turnover variable is +1.78991 and the decrease in the average inventory turnover variable is -1, 78991.

Based on the calculation results, it is known that the minimum value of Return On Assets is -25.10. While the maximum value on Return On Assets is 45.79. The average value on Return On Assets is 3.7853. And finally, the standard deviation of Return On Assets is 15.89280, which means that the average increase in the Return On Assets variable is +15.89280 and the average decline in the Return On Assets variable is -15.89280.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		36
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	3,80740461
Most Extreme Differences	Absolute	,071
	Positive	,065
	Negative	-,071
Test Statistic		,071
Asymp. Sig. (2-tailed)		,200

Source: Processed data (2021)

From the table of results of the Normality Test with Kolmogorov-Smirnov, it can be seen that the Aysmp. Sig (2-tailed) value is above the residual value of 0.200. This value is then compared using a significant level or = 5%, which is 0.05. So, it can be concluded that the data above is normally distributed because 0.200 > 0.05.

Table 3. Multicollinearity Test Results

Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Cash Turnover	,276	3,628
	Inventory Turnover	,276	3,628

a. Dependent Variable: *Return On Asset*

Source: Processed data (2021)

The table shows that the VIF for cash turnover and inventory turnover is 3,628. Thus, the two variables above cash turnover and inventory turnover are free from multicollinearity problems because the VIF value on these variables is less than 10. Thus, the research data is feasible to use.

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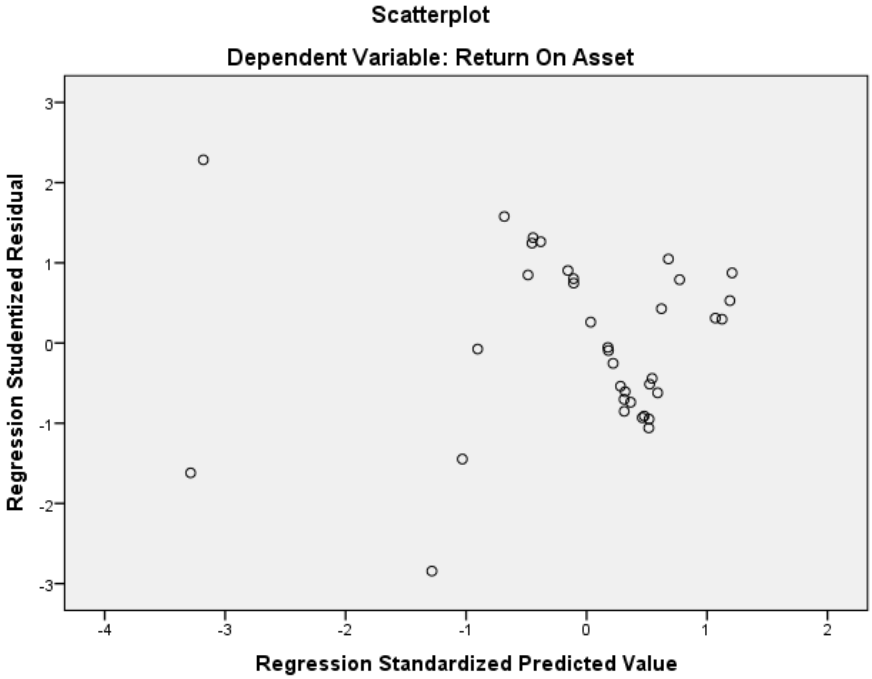

Figure 2. Heteroscedasticity Test Results
Source: Processed data (2021)

As seen in the graph above the dots spread randomly, do not form a certain pattern. The points are spread both above and below the number 0 on the Y axis, so it can be concluded that there is no heteroscedasticity in this study so that the regression model is feasible to use.

Table 4. Autocorrelation Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,970[a]	,942	,938	,38259	1,196

a. Predictors: (Constant), Inventory Turnover, Cash Turnover
b. Dependent Variable: Return On Asset

Source: Processed data (2021)

Based on the results of the calculation of the Durbin–Watson value in the Summery model, the result is 1.196. So it can be concluded that the data does not autocorrelation because the DW value is between -2 < 1.196 < +2.

The results of the calculation of the regression coefficients and constant values are as follows:

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Table 5. Multiple Linear Regression Calculation Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,626	1,428		-1,839	,075
	Cash Turnover	,792	,055	1,148	14,365	,000
	Inventory Turnover	1,014	,374	,217	2,713	,011

Source: Processed data (2021)

The results of the above calculations are obtained by the regression equation that explains Cash Turnover (variable X_1) and Inventory Turnover (variable X_2) as follows:
Y = -2.626 + 0.792X1 + 1.014X2 + e

The results of the correlation analysis test show the following data:

Table 6. Correlation Analysis Results

Correlations

		Cash Turnover	Inventory Turnover	Return On Asset
Cash Turnover	Pearson Correlation	1	-,851**	,964**
	Sig. (2-tailed)		,000	,000
	N	36	36	36
Inventory Turnover	Pearson Correlation	-,851**	1	-,760**
	Sig. (2-tailed)	,000		,000
	N	36	36	36
Return On Asset	Pearson Correlation	,964**	-,760**	1
	Sig. (2-tailed)	,000	,000	
	N	36	36	36

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Processed data (2021)

Based on the table above, the value of Sig. (2-tailed): from the output table above, is known the value of sig. (2-tailed) between Cash Turnover (X_1) and Return On Assets (Y) is 0.000 < 0.05. This means that there is a significant correlation between the Cash Turnover variable and the Return On Assets variable. Furthermore, the relationship between the variable Inventory Turnover (X_2) and Return On Assets (Y) has a sig value. (2-tailed) of 0.000 <0.05, which means that there is a significant correlation between the Inventory Turnover variable and the Return On Asset variable.

Based on the calculated N value (Pearson Correlations), it is known that the calculated P-value for the relationship between Cash Turnover (X_1) and Return On Assets (Y) is 0.964 > r_{table} 0.424. Furthermore, it is known that the calculated value for the relationship between Inventory Turnover (X_2) and Return On Assets (Y) is -0.760 < r_{table} 0.424.

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Table 7. The Result of the Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square
1	,970[a]	,942	,938

Source: Processed data (2021)

The table above is the result of the calculation of the coefficient of determination for the regression equation obtained. By looking at the coefficient of determination Adjusted R Square = 0.938 shows that Cash Turnover and Inventory Turnover can explain almost all information regarding the movement of Return On Assets of 93.8% while the remaining 6.2% is explained by other independent variables.

Table 8. T-Test Results

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,626	1,428		-1,839	,075
	Cash Turnover	,792	,055	1,148	14,365	,000
	Inventory Turnover	1,014	,374	,217	2,713	,011

Source: Processed data (2021)

Based on the SPSS output table above, it is known that:

The significant value (Sig.) of Cash Turnover (X_1) is 0.000 < 0.05. So it can be concluded that Hα is accepted, meaning that there is an effect of Cash Turnover (X_1) on Return On Assets (Y).

Cash Turnover (X_1) is 14,365 > 2,032. So it can be concluded that Hα is accepted, meaning that there is an effect of Cash Turnover (X_1) on Return On Assets (Y).

The significance value (Sig.) of Inventory Turnover is 0.011 < 0.05, so it can be concluded that Hα is accepted, meaning that there is an effect of Inventory Turnover (X_2) on Return On Assets (Y).

Inventory Turnover (X_2) is 2.713 > 2.032. So it can be concluded that Hα is accepted, meaning that there is an effect of Inventory Turnover (X_2) on Return On Assets (Y).

Table 9. F-Test Calculation Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78,263	2	39,132	267,341	,000[b]
	Residual	4,830	33	,146		
	Total	83,094	35			

Source: Processed data (2021)

Based on the table above, it is known that the value of sig. is 0.000. Because of the value of sig. 0.000 <0.05, it can be concluded that H_a is accepted or in other words, Cash Turnover (X_1) and Inventory Turnover (X_2) Simultaneously affect Return On Assets (Y).

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It is known that F_{count} is 267.341. Because the value of F_{count} is 267.341 > F_{table} 4.14. So it can be concluded that H_a is accepted or in other words, Cash Turnover and Inventory Turnover have a simultaneous effect on Return On Asset (Y).

The Effect of Cash Turnover on Return On Assets

The results of this study indicate that cash turnover can be measured through income or sales volume which is to see how far the ability of cash can rotate during one period through sales. The higher the cash turnover, the better, the cash turnover that rotates properly is effective in generating maximum income so that the profits obtained will increase and thus the ROA will increase.

Then from the results of the t-test, the effect of Cash Turnover on Return On Assets which has a significant effect due to Cash Turnover in retail trading sub-sector companies in 2015-2020, explains that retail trading sub-sector companies that have high cash turnover values will increase the return value. On Assets. Because the higher the Cash Turnover, it can be said that the more efficiency or the smaller the amount of cash needed in the company's operations so that the income obtained by the company will be greater and the better the level of profit obtained. So that with a good cash turnover will be reflected in the value of a good Return On Assets as well.

The Effect of Inventory Turnover on Return On Assets

Inventory Turnover has an effect on ROA in retail trading sub-sector companies listed on the IDX in 2015-2020. This shows that the higher the cash turnover rate, the higher the return on assets, the results of this study indicate that the size of the inventory turnover of an inventory can affect the return on assets.

The influence between the variables of Inventory Turnover and Return On Assets strengthens the previously determined hypothesis, namely Inventory Turnover has a significant effect on Return On Assets (ROA). The inventory turnover rate can be measured through the funds embedded in the inventory the number of times the funds in the inventory rotate in a certain period. High inventory turnover indicates efficient turnover because it can increase the sale of inventory which will ultimately generate profits that increase the company's profitability.

The results of the study observed that although inventory turnover experienced an insignificant decrease with a difference that was not far from previous years, the decrease in Inventory Turnover could also reduce the Return On Assets (ROA) of the company. This shows that the lack of productive sales of inventories so that it has an impact on profits that have not been maximized, inventory turnover carried out by companies belonging to the retail trade sub-sector is still not maximized to be able to increase profits, because a high inventory turnover rate shows that the company's performance achievement will increase. good.

Decreased inventory turnover in several retail companies caused by the company not being able to achieve the sales target of inventory from its outlets so that they have to bear operating costs at the outlets that are opened, so this affects the decrease in profits generated and has an impact on the decrease in Return On Asset.

The Effect of Cash Turnover and Inventory Turnover on Return On Assets

The downward trend in ROA is caused by the net income obtained by the company which tends to continue to decline due to inventory of goods that are not sold and operating expenses or operating costs of the company continue to increase resulting in lower net income, other factors that make net income decreased due to from the company's external factors, namely There were several interesting events in the retail industry during the year of observation. Retail companies experience an

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inability to manage the company's cash so that which has an impact on losses and also the result of the company's failure to increase inventory turnover through the sale of goods or products it sells. The estimation results using multiple linear regression models show that the variables of Cash Turnover and Inventory Turnover simultaneously have a relationship with Return On Assets.

Cash Turnover and Inventory Turnover have a positive effect on Return On Assets received and significant. The results of the study indicate that if cash flows smoothly and inventory sales are met so that inventory turnover turns well, then the rate of return on the company's assets or investment will make it easier for the company to measure the company's ability to generate profits (profitability).

Retail companies listed on the IDX are faced with several challenges. Companies must be able to continue to analyze financial performance every year so that high cash turnover can be accompanied by stable inventory turnover so that it can have an impact on increasing Return On Assets (ROA). Because the role of the retail industry in supporting economic growth in Indonesia is very important, where the trade sector grew by 13.02% in 2019. The prospect of the retail business still shows a positive trend which can be seen from the consumption growth indicator of Fast Moving Consumer Goods (FMCG). The growth of FMCG consumption in the modern retail sector was 7.6%, with the details of minimarkets 12% and supermarkets and hyper marts growing negative 5.8%. So that large retail companies must be able to adapt and adjust the business concept to the current market share.

The most dominant variable is shown by the Cash Turnover variable which has a value of 1.11. This value is greater than the Inventory Turnover variable which has no significant effect of -0.165. The company's considerations when analyzing the profits to be projected in the future should look at the most dominant variable or the variable that has the biggest influence on Return On Assets, namely the Cash Turnover variable which has an effect of 1.11 on Return On Assets. The interpretation of the cash turnover variable, the higher the cash turnover, the smaller the amount of cash needed in the company's operations, it reflects a good company performance which will affect the greater the income and profitability.

CONCLUSION

The results of the study partially Cash Turnover and Inventory Turnover have a significant effect on Return On Assets (ROA). The results of the f test analysis show that Cash Turnover and Inventory Turnover simultaneously have a significant effect on Return On Assets (ROA). This shows that retail trade sub-sector companies listed on the IDX in 2015-2020 have cash turnover and inventory turnover on return on assets (ROA), in other words, if the value of cash turnover and inventory turnover increases, the value of return on assets (ROA) increases. will also increase. Based on the results of multiple regression research, the most dominant variable is cash turnover. This can be seen in the coefficient of determination for Cash Turnover which has the greatest value.

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