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Effect of Cash Turnover, Receivable Turnover, Inventory Turnover and Growth Opportunity on Profitability

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Abstract

The purpose of this study is to analyze cash flow, accounts receivable turnover, inventory turnover, and growth opportunity for the profitability of manufacturing companies listed on the Indonesia Stock Exchange. This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange. This study's population were manufacturing companies listed on the Indonesia Stock Exchange in 2013-2016, totaling 137 companies. The number of samples used in this study was 16 companies using the purposive sampling method. The data was collected using the documentation method. The type of data used is quantitative, while the data source used is secondary data. This study indicates that cash turnover has a positive and significant effect on profitability, accounts receivable turnover has a positive and significant impact on profitability, has a positive and significant impact on profitability, and growth opportunity has a positive and insignificant effect on profitability.

Keywords: Profitability, Cash Turnover, Receivable Turnover, Inventory Turnover, Growth Opportunity.

1. Introduction

Every business strives to achieve its primary objective of profit maximization (Wiranata & Nugrahanti, 2013; Ahmad et al., 2018; Hala, 2020; Mira, 2020; Anwar & Gunawan, 2020; Amran et al., 2021). Working capital is critical for businesses, and its management must be highly valued and closely monitored. This is because working capital is typically used to cover operational costs associated with a business. Excessive working capital indicates that funds are being wasted and will ultimately harm the business by squandering the opportunity to earn profits. Working capital's effectiveness is a metric that indicates the most efficient use of a business's working capital to maximize profitability (Abesty & Puspitasari, 2014). Given the critical nature of working capital in a business, financial managers must budget for it appropriately. If capital is either excessive or insufficient, it will hurt its profitability (Supriyadi & Fazriani, 2011).

Competition in all industrial sectors is getting tighter, so that the number of manufacturing companies is increasing every year. Manufacturing companies carry out the production process from purchasing raw materials and processing raw materials to finished products to get the maximum profit. On the Indonesia Stock Exchange, there are 137 companies from the manufacturing industry that are engaged in the chemical industry, consumer goods, and various other industries. In industrial companies, problems often arise in managing working capital, a driving force for poor management, such as slow inventory turnover. Even though many factors cause it, an inventory turnover that is too slow or a small value can indicate that product management and other related components are not in the best condition.

Working capital is divided into three components: cash, accounts receivable, and inventory. These three components of working capital can be managed in various ways to increase profitability or foster business growth (Lazaridis & Tryfonidis, 2006). Growth opportunities exist for the future expansion of a business (Humaira & Sagoro, 2018). Profitability and growth of previous assets will indicate future profitability and growth (Hermuningsih & Wardani, 2009). Businesses with significant growth potential have a high investment value, particularly in fixed assets with a longer economic life than one year.

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This research refers to the pecking order and trade-off theories. The pecking order theory advanced by (Frank & Goyal, 2003) explains why businesses prefer to finance activities with internal sources of funding (retained income), specifically retained earnings and depreciation, rather than external sources of funding (debt, shares). Meanwhile, the pecking order theory explains a relationship between the use of debt, taxes, and bankruptcy costs due to the business's capital structure (Surjadi & Sinambela, 2017).

Theoretically, there is a strong correlation between working capital effectiveness and firm profitability. Effective working capital management demonstrates that the available working capital is sufficient to meet the business's operations' needs without being excessive. Effective working capital management enables a business to operate economically and profitably. The research will focus on manufacturing companies listed on the Indonesian Stock Exchange between 2013 and 2016. Manufacturing companies manage the entire production process, from the acquisition of raw materials to the processing of raw materials and the final form of finished goods, to maximize profit.

Effectiveness is defined as the quantity, quality, and duration of accomplishments (Putra & Badjra, 2015). Working capital is a long-term financing source primarily used to fund a business's daily operations (Nuriyani & Zannati, 2017). Working capital is defined by Ayunitha (2020) as the difference between current assets and current liabilities. Working capital effectiveness is a metric that indicates how effectively a business uses its working capital to accomplish its objectives (high return on assets) (Ridwan & Sandy, 2019). Risyaldi et al., (2017) proposed several concepts for working capital, including 1) Liquidity is a quantitative concept that refers to the total amount of liquid assets. 2) According to this concept, working capital is included in current assets and can be used to fund business operations without jeopardizing the company's liquidity. 3) This is a functional concept; it is based on funds' role in generating income.

The working capital can be classified according to its requirements (Risyaldi et al., 2017). Thus, working capital can be classified into two types: (fixed working capital and variable working capital). Working capital continues to be the amount of money that a business must have to operate normally during an accounting period. Meanwhile, variable working capital refers to the working capital required over a specified time period, which varies according to changes in the external environment over that time period. The term "working capital" is frequently used to refer to the difference between current assets and liabilities. This means that by comprehending current assets and liabilities' contents, ascertaining which components of working capital are (Oktavia & Nugraha, 2020).

Current assets include cash and other assets that can be readily converted to cash, sold, or used within a year. Cash, securities, accounts receivable, inventories, and prepaid expenses comprise it. Current liabilities are expected to be paid off within a short period of time, typically one year. Trade payables, notes payable, short-term bank loans, tax payable, accrued expenses, and the current portion of long-term debt are included. Saraswati, (2012) categorizes working capital's role in businesses as protecting them from working capital crises caused by the decline in the value of current assets, enabling them to meet their obligations on time, and enhancing their credit standing. They enabled it to maintain sufficient inventory to meet consumer demand and to operate more efficiently.

Saraswati, (2012) also provides the view three kinds of ratios can be used to measure the effectiveness of working capital, namely cash turnover, accounts receivable turnover, and inventory turnover. Cash turnover is used to determine how effective the company is in managing its cash funds to generate income or sales. Receivable Turn Over is used to measure a company's ability to manage funds embedded in rotating receivables in a certain period (Nuriyani & Zannati, 2017). Furthermore, inventory turnover is used to show how many times the inventory can rotate in a year (Demeter & Matyusz, 2011).

A growth opportunity is a growth ratio that indicates a business's ability to maintain its economic position in the face of economic growth and changes in its industry (Permana, 2017). Businesses with high growth rates should finance themselves through equity to avoid agency costs between shareholders and management. On the other hand, businesses with slow growth rates should consider debt as a financing source, as debt requires the business to pay interest regularly (Rahman et al., 2015). Changes in total assets are used to determine a company's growth. Asset growth can be defined as the change in or annual growth rate of a company's total assets from one year to the next.

Profitability is defined as the relationship between revenue and expenses generated by the efficient use of company assets that remain in productive activities (Permana, 2017). The profitability ratio measures a company's ability to earn profits from all of its existing capabilities and sources, including sales activities, cash, capital, employee count, and branch count (Permana, 2017). According to (Permana, 2017), profit ratios come in a variety of forms. One such ratio is the gross profit ratio, which indicates the percentage of net profit earned on each sale. Profit margin, which is expressed as a percentage of revenue before taxes and interest. The net profit margin is the percentage of sales remaining after interest and taxes are deducted. Earnings per share, or EPS, is a ratio that indicates the profitability or profit of a single share unit. Return on assets (ROA), which is used to calculate the return on equity or return on investment of common stockholders, and return on equity (ROE) are used to determine management's effectiveness in managing the company's assets.

ROA can be used to determine the efficiency with which available assets generate profits or the capacity to generate returns on invested capital (Horne & Wachowicz, 1998). The higher the ROA, the better the performance, as the return on equity is more important in attracting investors seeking a return rate on their investment in the business. The ROA indicator is a financial metric that is frequently used to evaluate a company's performance.

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H1: Cash Turnover has a positive and significant effect on profitability.

Accounts receivable are created when a business sells on credit to increase its business volume. With a high turnover of accounts receivable, the capital in accounts receivable will dwindle. The capital can then be invested in profitable activities to maximize the company's profitability. This is backed up by research (Zahroh & Nuzula, 2014), demonstrating that accounts receivable turnover affects profitability.

H2: Accounts Receivable Turnover has a positive and significant effect on profitability

The primary component inventory is working capital assets that are constantly rotating and changing (Supriyadi & Fazriani, 2011). The higher the inventory turnover rate, the lower the maintenance costs. The lower the company's fees, the more profitable it is (Supriyadi & Fazriani, 2011). Yanthi & Sudiartha's (2017) research demonstrates that inventory turnover affects profitability.

H3: Inventory Turnover has a positive and significant effect on profitability

Growth potential is a measure of a company's ability to maintain its economic position in the face of competition (Chen & Zhao, 2006). Increased sales, followed by improved operating results, will bolster outsiders' confidence in the company. With the increase in external trust (creditors), the proportion of debt has surpassed equity. This is based on creditors' confidence that the company's funds are secure due to the size of its assets; healthy growth indicates the company's continued growth and profitability. This study's findings are corroborated by research conducted by (Lestari & Hermanto 2015), which demonstrates that growth opportunity affects profitability.

H4: Growth Opportunity has a positive and significant effect on profitability

2. Research Design and Method

This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange. This study's population were manufacturing companies listed on the Indonesia Stock Exchange in 2013-2016, totaling 137 companies. At the same time, the sample used in this study amounted to 16 manufacturing companies. The data was collected using the documentation method. The type of data used in this research is quantitative data. While the data used in this study are secondary, namely data in the form of writing or company documents. The analysis method used to test the hypothesis is the classical assumption test analysis method, multiple regression analysis tests, and hypothesis testing.

3. Results and Discussion

Result Analysis

From the observation of table 1, it can be seen that the lowest cash turnover value in manufacturing companies listing on the Indonesia Stock Exchange in the 2013 period is PT. Indocement Tunggal Prakarsa, Tbk with the company code INTP of 3.11. In the 2014 and 2015 periods, the company PT. Indo-Rama Synthetics, Tbk with company codes INDR of 2.56 and 4.18. And in the 2016 period, PT. Indocement Tunggal Prakarsa, Tbk with the company code INTP of 2.76. Meanwhile, the highest cash turnover value in manufacturing companies listing on the Indonesia Stock Exchange in the 2013 period is PT. Indo Kordsa, Tbk with the company code BRAM of 18.34. In the 2014 period, PT. Selamat Sempurna, Tbk with the company code SMSM of 16.95. In the 2015 period, PT. Goodyear Indonesia, Tbk with the company code GDYR of 16.86. And in the 2016 period, PT. Indo Kordsa, Tbk with the company code BRAM of 19.34. This shows that the higher the company's cash turnover, the less possible risk of the company's inability to pay its obligations, which means that cash is more efficient and increases the possibility of the company obtaining high profitability. The lowest receivable turnover value for manufacturing companies listing on the Indonesia Stock Exchange for the 2013 and 2014 periods is PT. Indo Kordsa, Tbk with the company code BRAM of 2.41 and 2.01. In the 2015 period, PT. Goodyear Indonesia, Tbk with the company code GDYR of 1.44. And in the 2016 period, PT. Nipress, Tbk with the company code NIPS of 2.21. Meanwhile, the highest receivable turnover value in manufacturing companies listed on the Indonesia Stock Exchange for the 2013-2015 period is PT. Indomobil Sukses

Internasional, Tbk with the company code IMAS. In the 2013 period amounted to 20.54. In the period 2014 amounted to 22.55. In the 2015 period, it was 25.32, and in the 2016 period, PT. Gajah Tunggal, Tbk with the company code GJTL, which is 20.87. This shows that the higher the turnover rate of accounts receivable, the more likely the company will obtain high profitability. The lowest inventory turnover value for manufacturing companies listing on the Indonesia Stock Exchange in the 2013 period is PT. Gajah Tunggal, Tbk with the company code GJTL of 1.49. In the 2014 period, PT. Indospring, Tbk with the company code INDS of 2.17. In the 2015 and 2016 periods, PT. Holcim Indonesia, Tbk with the Company codes SMCB of 1.49 and 1.47. Meanwhile, the highest inventory turnover value for manufacturing companies listing on the Indonesia Stock Exchange for the 2013 and 2014 periods is PT. Astra Otoparts Tbk, with the company code AUTO, namely 8.51 and 8.82. In the 2015 period, PT. Indo Kordsa, Tbk with the company code BRAM of 8.76. And in the 2016 period, PT. Multistrada Arah Sarana, Tbk with the company code MASA of 6.59. This shows that the higher the inventory turnover, the costs incurred for maintenance and maintenance of small inventory to save cost.

Table. 1. Manufacturing Company Cash Turnover 2013-2016

No.	Code Company	Cash Turnover				Receivable Turnover				Inventory Turnover			
		2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
1	ARGO	13,98	13,35	14,46	12,72	6,8	3,45	2,46	2,25	6,8	3,45	2,46	2,25
2	BRAM	18,34	14,23	16,62	19,34	2,41	2,01	3,48	6,84	2,41	2,01	3,48	6,84
3	GDYR	17,12	10,7	16,86	10,04	6,33	2,97	1,44	5,67	6,33	2,97	1,44	5,67
4	SMSM	12,34	16,95	5,98	11,01	4,35	4,69	4,73	4,01	4,35	4,69	4,73	4,01
5	SMCB	16,14	3,75	6,19	8,04	10,13	10,17	8,39	9,24	10,13	10,17	8,39	9,24
6	GJTL	14,67	13,88	4,4	3,56	6,64	18,93	16,76	20,87	6,64	18,93	16,76	20,87
7	IMAS	14,33	11,37	6,98	6,61	20,54	22,55	25,32	18,11	20,54	22,55	25,32	18,11
8	INDR	6,9	2,56	4,18	5,87	6,23	4,22	8,41	6,55	6,23	4,22	8,41	6,55
9	INDS	12,27	11,81	12,14	13,23	6,98	6,78	5,91	5,85	6,98	6,78	5,91	5,85
10	INTP	3,11	3,35	4,46	2,76	11,8	8,45	6,46	4,58	11,8	8,45	6,46	4,58
11	MASA	4,81	8,08	6,62	9,34	8,43	6,19	8,24	8,86	8,43	6,19	8,24	8,86
12	MYTX	7,14	10,17	11,43	10,54	12,64	11,87	13,09	12,51	12,64	11,87	13,09	12,51
13	NIPS	10,69	11,25	12,98	11,81	2,45	2,89	2,93	2,21	2,45	2,89	2,93	2,21
14	ADMG	6,14	3,85	6,29	8,61	8,19	10,35	8,55	9,67	8,19	10,35	8,55	9,67
15	ASII	14,89	12,48	14,4	13,56	8,45	6,59	6,89	7,83	8,45	6,59	6,89	7,83
16	AUTO	12,83	11,97	16,18	16,61	10,42	10,87	11,19	10,45	10,42	10,87	11,19	10,45

Table 2 illustrates the calculation of growth opportunities from 2013-2016 in manufacturing companies listed on the Indonesia Stock Exchange.

Table 2. Growth Opportunity and Profitability of Manufacturing Companies 2013-2016

No	Code Company	Growth Opportunity				ROA			
		2013	2014	2015	2016	2013	2014	2015	2016
1	ARGO	6,63	6,34	5,47	4,9	21	13	6	6,56
2	BRAM	4,48	3,82	9,1	9,84	6,91	5,13	13,8	11,4
3	GDYR	10,34	10,78	11,64	14,6	11	8,5	5	6,3
4	SMSM	5,12	4,27	4,59	5,09	9	10	4	17,74
5	SMCB	9,05	9,61	35,46	25,24	15,05	12,83	9,8	8,63
6	GJTL	42,54	48,53	51,76	73,49	9,27	37,8	39,47	35,87
7	IMAS	10,23	8,93	9,3	4,65	57,3	56,4	53,4	31,78
8	INDR	6,61	6,42	6,55	6,34	6,89	2,58	8,78	3,68
9	INDS	6,77	6,23	6,73	7,34	14,9	12,41	13,96	14,62
10	INTP	6,68	6,38	5,37	4,15	15,4	13,21	16,11	16,56
11	MASA	4,28	4,32	4,21	4,45	6,51	4,33	3,82	8,4
12	MYTX	10,84	13,88	11,74	14,62	11,13	10,5	8,23	9,3
13	NIPS	2,12	4,57	2,51	4,49	12,12	10,1	12,4	12,78
14	ADMG	6,15	7,61	8,87	9,24	13,05	12,73	16,85	18,43
15	ASII	6,54	8,53	6,76	7,49	35,29	34,89	36,87	35,34
16	AUTO	8,83	8,63	6,13	6,35	52,34	51,42	53,44	52,26

From the observation of table 2, it can be seen that the lowest growth opportunity value in manufacturing companies listing on the Indonesia Stock Exchange in the 2013 period is PT. Nipress, Tbk with the Company code NIPS of 2.12. In the 2014 period, PT. Indo Kordsa, Tbk with the company code BRAM of 3.82. In the 2015 period, PT. Nipress, Tbk with the Company code NIPS of 2.51. In the 2016 period, PT. Indocement Tunggal Prakarsa, Tbk with the company code INTP of 4.15. Meanwhile, the highest Growth Opportunity value in manufacturing companies listing on the Indonesia Stock Exchange for the 2013-2016 period is PT. Gajah Tunggal, Tbk with the company code GJTL. In the 2013 period amounted to 42.54. The 2014 period amounted to 48.53. In the 2015 period, it was 51.76, and in the 2016 period, it was 73.49. This shows that companies with high growth opportunities have a large amount of investment value, especially in fixed assets whose economic age is more than one year. The lowest return on assets (ROA) value for manufacturing companies listing on the Indonesia Stock Exchange in the 2013 period is PT. Multistrada Arah Sarana, Tbk with the Company code MASA of 6.51. In 2014, PT. Indo-Rama Synthetics, Tbk with the company code INDR of 2.58. In 2015, PT. Multistrada Arah Sarana, Tbk with the Company code MASA of 3.82. And in 2016 is PT. Indo-Rama Synthetics, Tbk with the company code INDR of 3.68. Meanwhile, the highest return on assets (ROA) value for manufacturing companies listing on the Indonesia Stock Exchange for the 2013-2016 period is PT. Astra Otoparts, Tbk with the company code AUTO. In the 2013 period amounted to 52.34. In the 2014 period, it was 51.42. In the 2015 period, it was 53.44. And in the 2016 period of 52.26. This shows that companies with high profitability can attract creditors to provide credit and issuers to issue securities to the company.

The normality test in this study aims to test whether there are confounding variables (error) or residuals that have a normal distribution in the regression model. This study will conduct a One-Sample Kolmogorov-Smirnov Test (KS) statistical test to detect the data's normality. If the value is Asymp.Sig. (2-tailed) ≥ 5% significance value, then the data is considered to be normally distributed. Meanwhile, if the value of Asymp.Sig. (2-tailed) ≤ 5%, then the information is considered to be not normally distributed. The results of the One-Sample Kolmogorov-Smirnov Test (KS) statistical test can be seen in table 3:

Table 3. Normality Test Results

		Unstandardized Residual
N		64
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	11,13550027
Most Extreme Differences	Absolute	,084
	Positive	,084
	Negative	-,071
Kolmogorov-Smirnov Z		,672
Asymp. Sig. (2-tailed)		,757

a. Test distribution is Normal.

b. Calculated from data.

Based on the results of normality testing in table 3, it can be seen that the research data is normally distributed. This can be seen from Asymp. Sig (2-tailed) of 0.757> a significance value of 0.05 (5%). Multicollinearity test this test aims to test whether there is a correlation between independent variables. The multicollinearity test results can be seen in table 4:

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Cash Turnover	,628	1,592
Receivable Turnover	,865	1,157
Inventory Turnover	,741	1,349
Growth Opportunity	,623	1,605

a. Dependent Variable: ROA

Based on table 4, it is known that there is no multicollinearity in testing cash turnover on return on assets (ROA). This can be seen from the VIF value of cash turnover, which is 1.592, which means no more than 10. This can also be seen from the cash turnover tolerance value of 0.628, which means not less than 0.1. There is no multicollinearity in testing receivables turnover on return on assets (ROA). This can be seen from the VIF value of the accounts receivable turnover amounting to 1.157, which means no more than 10. This can also be seen from the value of the receivables turnover tolerance value of

0.865, which means not less than 0.1. There is no multicollinearity in testing inventory turnover on return on assets (ROA). This can be seen from the VIF value of the inventory turnover amounting to 1.349, which means no more than 10. This can also be seen from the inventory turnover tolerance value of 0.741, which means less than 0.1. Testing growth opportunity on return on assets (ROA) does not show multicollinearity. This can be seen from the VIF value of the growth opportunity, which is 1.605, which means no more than 10. This can also be seen from the tolerance growth opportunity value of 0.623, which means less than 0.1.

A heteroscedasticity test is carried out to test whether the regression model has inequality of variants from the residuals of one observation to another. Heteroscedasticity testing can be seen with a scatterplot graph which can be seen in Figure 1:

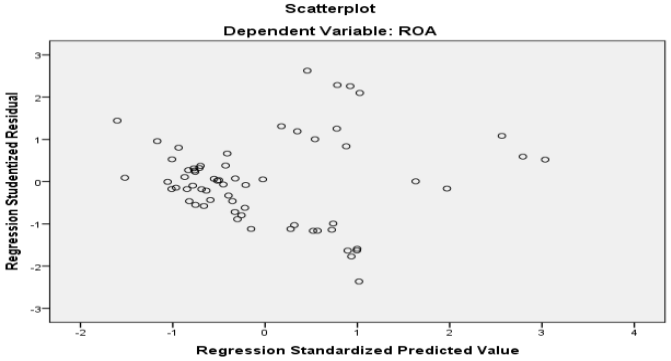

Figure 1. Heteroscedasticity Test Results

The heteroscedasticity test results in Figure 1 show that the data used does not experience heteroscedasticity. The dots spread above and below the 0 on the Y-axis and do not form a specific, straightforward pattern. The determination coefficient test was conducted to determine how much influence the independent variables used in the study were cash turnover, accounts receivable turnover, inventory turnover, and growth opportunity.

Table 5. Results of Testing the Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,698[a]	,488	,453	11,50679	,658

Table 5 shows the coefficient of determination of 0.453. This indicates that the contribution of cash turnover accounts receivable turnover, inventory turnover, and growth opportunity to profitability proxied by return on assets (ROA) is 45.3%. The remaining 54.7% is influenced by other variables, not in this study. Furthermore, a simultaneous test is carried out to test whether there is an effect of the independent variable as a whole on the dependent variable. This test uses α 5%. With provisions, if the significance of the F-count <0.05, the proposed hypothesis can be accepted.

Table 6. Simultaneous Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7435,861	4	1858,965	14,040	,000[b]
	Residual	7811,960	59	132,406		
	Total	15247,821	63			

Table 7. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	Std. Error		Beta			Tolerance	IF
(Constant)	9,817	5,965		3,322	002		
Cash Turnover	,629	,350	,547	4,656	000	,628	1,592
Receivable Turnover	,064	,346	,308	3,077	003	,865	1,157
Inventory Turnover	,422	,930	,282	2,605	012	,741	1,349
Growth Opportunity	129	,146	,105	,886	379	,623	1,605

a. Dependent Variable: ROA

Table 6 shows that the significance level is smaller than 0.05; So it can be said that cash turnover, accounts receivable turnover, inventory turnover, and growth opportunity simultaneously (together) influence profitability, with a probability of 0.000. Since the chance is much smaller than the significant value of 0.05, a regression model can be used to predict profitability. Multiple Linear Regression Test was conducted to determine the effect of cash turnover, accounts receivable turnover, inventory turnover, and growth opportunity on return on assets.

The relationship between the independent variable and the dependent variable can be formulated into the following equation:

$$Y = -9{,}817 + 1{,}629X1 + 1{,}064X2 + 2{,}422X3 + 0{,}129X4$$

The regression coefficient value of the effect of cash turnover on profitability as proxied by return on assets (ROA) shows a value of 1.629 with a significance value of 0.000 less than 0.05 so that the cash turnover variable has a significant effect on profitability which is proxied by return on assets (ROA). The results of testing the first hypothesis are that cash turnover significantly affects profitability, which is proxied by return on assets (ROA) and is declared accepted.

The regression coefficient value of the effect of receivables turnover on profitability as proxied by return on assets (ROA) shows a value of 1.064 with a significance value of 0.003 less than 0.05. The receivables turnover variable has a significant effect on profitability which is proxied by return on assets (ROA). The result of testing the second hypothesis is that accounts receivable turnover has a significant effect on profitability, which is proxied by return on assets (ROA) and is declared accepted.

The regression coefficient value of the effect of inventory turnover on profitability as proxied by return on assets (ROA) shows a value of 2.422 with a significance value of 0.012 less than 0.05. The inventory turnover variable has a significant effect on profitability which is proxied by return on assets (ROA). The result of testing the third hypothesis is that inventory turnover has a significant effect on profitability, which is proxied by return on assets (ROA) and is declared accepted.

The regression coefficient value of the effect of growth opportunity on profitability as proxied by return on assets (ROA) shows a value of 0.129 with a significance value of 0.379 greater than 0.05 so that the growth opportunity variable does not have a significant effect on profitability which is proxied by return on assets (ROA). The results of testing the fourth hypothesis, namely that growth opportunity, do not significantly affect profitability, which is proxied by return on assets (ROA) and is declared rejected.

Discussion

Testing the first hypothesis indicates that the higher the cash turnover, the company's cash is productive, so the company's return on assets will increase. Pecking order theory suggests that companies use internal funding sources because they still have adequate internal sources of funds, such as retained earnings. This is in line with the research results (Utami & Dewi, 2015; Yanthi & Sudiartha, 2017), which show that cash turnover affects profitability. The results of testing the second hypothesis show that the higher the turnover of accounts receivable, the faster and more efficient the company is turning its assets. It also means that the company's chances of making a profit are increasing. This is in line with the pecking order theory, which tends to use internal sources of funds because companies still have adequate internal sources of funds such as retained earnings. This is supported by research results (Prakoso, Zahroh & Nuzula, 2014; Hoiriya, 2015; Utami & Dewi, 2015); receivables turnover affects profitability.

The results of testing the third hypothesis indicate that the higher the inventory turnover rate, the higher the turnover rate of funds embedded in the inventory. This means that the amount of inventory in a small company, thus affecting the increase in profit. This is in line with the pecking order theory, which tends to use internal sources of funds because companies still have adequate internal sources of funds such as retained earnings. This is in line with the research results (Santhi & Dewi, 2014; Utami & Dewi, 2015; Lestari & Farida, 2017), which show that inventory turnover affects profitability. The results of testing the fourth hypothesis indicate that the increasing growth opportunity in a company does not significantly affect the rate of return on assets for the company's operating activities or the return on assets (ROA) obtained by the company. This is in line with the trade-off theory, which states that a company will not reach the optimal value if all funding is financed by debt or does not use debt to finance company activities. This study's results do not support research conducted by (Lestari & Hermanto, 2015; Damayanti & Budiyanto, 2015; Kopong & Nurzanah, 2016), proving that growth opportunity affects profitability.

4. Conclusions

Based on the research and discussion, it can be concluded that the higher the cash turnover, the higher the profitability, as measured by the company's return on assets (ROA). The higher the percentage of rotating accounts receivables, the faster and more efficiently the company turn its assets, implying a greater profit or profitability chance. The higher the inventory turnover rate, the lower the maintenance costs. The lower the company's costs, the higher its profitability. Meanwhile, growth opportunity, which is calculated based on changes in the company's total assets, has decreased from the previous period,

indicating that the company has not grown significantly, resulting in decreased profitability.

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