

# THE EFFECT OF CASH TURNOVER, CURRENT RATIO, COMPANY SIZE AND SALES GROWTH ON RETAIL TRADE PROFITABILITY

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## Abstract

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The purpose of the study was to find out the relationship between cash turnover, current ratio, company size, and sales growth in retail trade organizations. Retail trading businesses listed on the Indonesia Stock Exchange (IDX) between 2017 and 2020 became the population in the study. This research uses a purposive selection approach, with the criteria for retail trading business actors listed on the Indonesia Stock Exchange to suffer losses and not submit comprehensive financial statements during the period 2017-2020. Quantitative data analysis approaches are used in this research. Some of the tests used in this hypothesis experiment: multiple linear regression, T test, F test, and determination coefficient. The study's findings include The Current Ratio, which statistically has a significant impact on profit margins. Meanwhile, the cash turnover ratio, the size of the company, and the rate of increase in sales did not have a great influence on profitability. However, cash turnover ratios, current ratios, company sizes, and sales growth all have a statistically significant positive impact on profitability when combined.

**Keywords:** Cash Turnover, Current Ratio, Company Size, Sales Growth and Profitability

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## INTRODUCTION

The level of the world economy continues to increase from year to year, and this applies to retail companies in Indonesia, which operate in a contemporary market that is growing rapidly and competing with the arrival of large multinational companies. Wholesale and retail are business activities or work carried out by traders to move merchandise in any way possible:

1. Through retail outlets or directly from one point of final consumption to another are two distribution methods.
2. Selling retail goods directly to end customers without the use of formal bids, orders, contracts, or auctions is known as direct selling.

Generally, the supply of merchandise or the execution of commercial transactions is done in cash, and the entrepreneur immediately delivers and delivers the goods he has purchased to the customer[1]. Cash turnover is the difference between sales and average cash volume, which indicates the capacity of cash to generate revenue[2]. Current ratio is a ratio used to measure the company's ability to be fully billed in order to pay its short-term obligations[3]. Profitability is a consequence of all company policies and choices that contribute to the long term existence of the company by generating significant profits[4]. Sales growth is defined as the volume of business transactions that increases from year to year, and that the rate of increase in business transactions is determined by the rate of increase in business transactions over time[5].

## RESEARCH METHODS

In this research, quantitative analysis method is used to complete the research project. The type of data used is secondary data, namely in the form of annual currency exchange rates available on the IDX (Indonesian Stock Exchange). The information obtained from the literature study is summarized below. The type of research that we will use in this case is associative research.

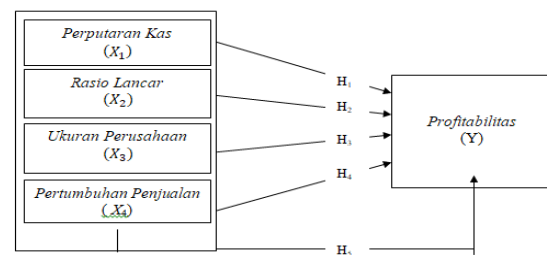


Figure 1. Research Framework

### Cash Turnover

Cash turnover is the difference between sales and average cash volume, which indicates the capacity of cash to generate revenue. Cash turnover can be used to determine how many times cash flows in a given period, enabling more accurate forecasting. The greater the income, the more efficient the use of money and the greater the profit margin[6][7][8].

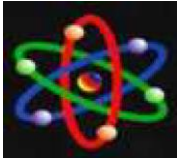
### Current Ratio

The current ratio is the ratio used to measure the company's ability to be fully billed in order to pay its short-term obligations.

### Company Size

Measure of business size is proposed, where company size can be categorized





based on total assets, total income, share value, and other factors[9].

### **Profitability**

As explained by Windi Novianti and Reza Pazzila Hakim (2018), profitability is a consequence of all company policies and choices that contribute to the company's existence in the long term by generating significant profits. As a result, the survival of the company will be more guaranteed, which will attract investors to invest in company shares

### **Sales Growth**

Sales growth is defined as the volume of business transactions that increases from year to year, and that the rate of increase in business transactions is determined by the rate of increase in business transactions over time. If the increase in company sales is more than the increase in costs, this will result in an increase in company profits.

## **RESULTS AND DISCUSSION**

### **Cash Turnover Against Profitability**

The test results were evaluated, showing that cash turnover has a negative and statistically insignificant effect on profitability, with a significant  $(0.625) > (0.050)$  and t value  $(-0.492)$ . Cash turnover has no effect on profitability in industrial businesses because working capital investments are more often made in accounts payable and inventories, and company cash is not considered important when making investment decisions. As a result, the impact of cash turnover on profitability is very low.

### **1. Current Ratio to Profitability**

The test results are known, and show that the current ratio has a statistically significant positive effect on profitability, with a significant  $(0.000) < (0.050)$  and t-count value  $(4.064)$ . Therefore, the higher the current ratio, the greater the profitability of the organization. The findings of our study differ from previous studies, which found that the Current Ratio has a detrimental effect on profitability.

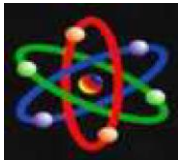
### **2. Effect of Firm Size on Profitability**

Test results are available, and they show that firm size strongly contributes negatively to profitability through significant  $(0.042) < (0.050)$  and t-count values, respectively  $(-2.112)$ . The findings of this study do not support the ideas put forward by Kumar, Rajan, and Zingales, among others (2001) In his explanation, Hadri Kusuma refers to the idea of critical resources, which asserts that the greater the number of assets owned by a company, the larger the company. and, accordingly, the greater the profitability of the organization.

### **3. The Effect of Sales Growth on Profitability**

As is known, the test findings show a negative and unimportant effect on profitability, with a significant  $(0.467) > (0.050)$  and a t-count difference between the two groups  $(-0.735)$ . However, the research findings do not support the hypothesis proposed by Brigham and Houston (2006), which states that sales should be sufficient to cover expenses to increase profit margins.





No	Kriteria Perusahaan	Jumlah
1.	Perusahaan Perdagangan Eceran yang berada di Bursa Efek Indonesia tahun 2017-2020	28
2.	Perusahaan Perdagangan Eceran yang berada di Bursa Efek Indonesia yang tidak mempublikasikan laporan keuangan secara lengkap dari tahun 2017-2020	(4)
3.	Perusahaan Perdagangan Eceran yang berada di Bursa Efek Indonesia yang mengalami kerugian dari tahun 2017-2020	(13)
Jumlah Akhir Sampel		11
Total sampel selama periode berjalan (x 4 tahun)		44

Sumber: www.idx.co.id data diolah

Figure 2. Original Table Research Sample Criteria

Descriptif Statistik					
	N	Min	Max	Mean	Std. Deviasi
Perputaran Kas	41	-42,8981	135,4106	8,922113	25,3597136
Rasio Lancar	41	0,6495	7,0238	2,344662	1,8294068
Ukuran Perusahaan	41	15,1089	29,6116	21,451220	5,5505813
Pertumbuhan Penjualan	41	-0,9988	1,4717	0,097634	0,4475318
Profitabilitas	41	-0,0332	0,1835	0,056117	0,0505898
Valid N (listwise)	41				

a. Tes distribusi adalah Normal.

b. Kalkulasi dari data.

Figure 3. Original Descriptive statistics

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
PK	,234	41	,000	,694	41	,000
RL	,309	41	,000	,778	41	,000
UP	,248	41	,000	,826	41	,000
PP	,240	41	,000	,829	41	,000
P	,153	41	,016	,926	41	,011

a. Lilliefors Significance Correction

Figure 4. Normality Test Before Transformation

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		41
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,03306258
Most Extreme Differences	Absolute	,103
	Positive	,069
	Negative	-,103
Test Statistic		,103
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

Figure 5. Normality Test After Transformed

Model	Coefficients <sup>a</sup>					Collinearity Statistics		
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Tolerance	VIF
	B	Std. Error	Beta					
1 (Constant)	,037	,011			3,407	,002		
Perputaran Kas	-5,068E-5	,000	-,066		-,492	,625	,972	1,029
Rasio Lancar	,006	,001	,566		4,064	,000	,906	1,104
Ukuran Perusahaan	-,001	,001	-,310		2,112	,042	,813	1,229
Pertumbuhan Penjualan	-,005	,006	-,104		-,735	,467	,880	1,136

a. Dependent Variable: Abs\_Res

Figure 6. Multicollinearity Test

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,607 <sup>a</sup>	,368	,298	,01627	1,635

a. Predictors: (Constant), Pertumbuhan Penjualan, Rasio Lancar, Perputaran Kas, Ukuran Perusahaan

b. Dependent Variable: Abs\_Res

Figure 7. Autocorrelation Test

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	,007	,023			,292	,772
Perputaran Kas	,000	,000	-,054		-,490	,627
Rasio Lancar	,019	,003	,703		6,144	,000
Ukuran Perusahaan	,000	,001	,012		,101	,920
Pertumbuhan Penjualan	,025	,013	,218		1,876	,069

a. Dependent Variable: Profitabilitas

Figure 8. Multiple Linear Regression Analysis Test Results

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,607 <sup>a</sup>	,368	,298	,01627	1,635

a. Predictors: (Constant), Pertumbuhan Penjualan, Rasio Lancar, Perputaran Kas, Ukuran Perusahaan

b. Dependent Variable: Abs\_Res

Figure 9 Coefficient of Determination Test (R2)

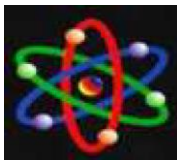
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,006	4	,001	5,252	,002 <sup>b</sup>
	Residual	,010	36	,000		
	Total	,015	40			

a. Dependent Variable: Abs\_Res

b. Predictors: (Constant), Pertumbuhan Penjualan, Rasio Lancar, Perputaran Kas, Ukuran Perusahaan

Figure 10. F Test Results





Coefficients <sup>a</sup>								
Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1.(Constant)	.037	.011			3,407	.002		
Perputaran Kas	-5,068E-3	.000	-.066		-.492	.625	.972	1,029
Rasio Lancar	.006	.001	.566		4,064	.000	.906	1,104
Ukuran Perusahaan	-.001	.001	-.310		-2,112	.042	.813	1,229
Pertumbuhan Penjualan	-.005	.006	-.104		-.735	.467	.880	1,136

a. Dependent Variable: Abs\_Res

**Figure 11. T Test Results**

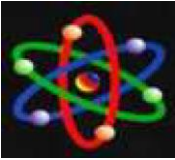
## CONCLUSION

1. Retail Trading Industry listed on the IDX for the 2017-2020 period, cash turnover has no significant and significant effect on profitability.
2. The Retail Trading Industry mentioned on the IDX for the 2017-2020 period, the present ratio has a real and irrelevant effect on profitability.
3. Retail Trading Industry listed on the IDX for the period 2017-2020, firm size does not affect and is not relevant to profitability.
4. Retail Trading Industry listed on the IDX for the 2017-2020 period, sales growth has no effect on profitability but is important for the industry as a whole.
5. Retail Trading Industry listed on the IDX for the period 2017-2020, cash turnover, current ratio, firm size and profitability sales development simultaneously.

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