

The Effect Of Receivable Turnover And Inventory Turnover On Profit Margin In PT. Nippon Indosari Corpindo, Tbk

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ABSTRACT

The purpose of this research is to determine the effect of Receivable Turn Over and Inventory Turn Over on Profit Margin of PT. Nippon Indosari Corpindo, Tbk. The variables used in this research are Receivable Turn Over and Inventory Turn Over, Profit Margin. The population in this research is financial reports for a period of five years in the form of quarterly data. The type of research used is quantitative. The research techniques used are multiple linear regression, hypothesis testing, F test and t test. The regression results to obtain Profit Margin are influenced by Receivable Turn Over and Inventory Turn Over. The results of the hypothesis test, namely the F test, showed that there was a simultaneous influence of Receivable Turn Over and Inventory Turn Over on Profit Margin, while the t test results of the Receivable Turn Over variable partially had a significant influence on Profit Margin as well as the Inventory Turn Over variable partially having an influence on Profit Margins.

Keywords: Receivable Turnover, Inventory Turnover, and Profit Margin .

1. INTRODUCTION

The increasingly rapid economic development of the manufacturing industry requires companies to compete to seize opportunities to generate profits, with the public's high demand for daily necessities, including consumer goods such as food, drinks, medicines, etc. With this high demand, companies need integrated activities and strategies that are planned, coordinated and controlled. The manufacturing industry is required to be able to compete with other similar industries so that the industry can maintain the viability of its business. One of the functions of management is control over company activities that will be carried out to achieve company goals.

With current technological advances, there is intense competition in the economic sector. If a company manager does not pay attention to financial health factors in the company, then

bankruptcy is likely to occur. To avoid bankruptcy, a company manager really needs to always try so that the company can continue running or in other words the manager can maintain the company's survival by paying attention to and evaluating the company's development from time to time. A manager must be able to understand the company's financial condition because basically financial conditions affect the survival of the company as a whole. (Andriyani, I, Yulian, and Marzuki. A : 2023)

Every company, whether in the manufacturing industry, services or other business fields, has goals that must be achieved, including optimal profits for the business it runs. Goals can be achieved if a company can carry out its operational activities according to established procedures effectively and efficiently. The profits obtained can contribute to the company (*stakeholder*). The profits obtained can be used as a benchmark for the company's success in managing its resources. An effective and efficient plan can increase company profitability.

Profit margin is one of the ratios used to measure the profit margin on sales. Profit margin is very influential on company growth and is one of the factors that plays an important role in assessing whether the company is healthy or not. The health of a company can not only be seen from its physical condition, but another more important factor lies in its financial elements. Because from these elements we can evaluate whether the policy adopted by a company is appropriate or not. Unsound financial elements can cause a company to go bankrupt. To measure the extent of a company's capabilities and progress is to analyze its financial reports. (Veronica, Andriyani, I, Suharti and Efrizal ; 2024). Through analysis of financial reports, it will be known what level of performance the company has achieved, whether the company has made a profit or, on the contrary, experienced a loss. Financial information is useful for predicting a company's capacity to generate profits from existing resources.

According to Kasmir (2012:114), "A company with good profitability is able to meet the profit targets that have been set using the assets or capital it owns." Capability in this case is how management in a company manages existing resources effectively and efficiently. In managing working capital, there are components that must be considered, such as cash, receivables and inventory. The turnover of each component is calculated. Effective and efficient capital management is indicated by the faster turnover rate of each component, but if the turnover is long then working capital management will be less effective and efficient. In an effort to increase profits, industrial management must pay attention to many things in improving the company's financial performance, namely Inventory Turnover and Receivable Turnover. This research only discusses inventories and receivables.

Manufacturing industrial companies, inventory is the largest investment in current assets to expedite the production process and sales activities. Required inventories include raw materials, goods in process and finished goods. Inventory of raw materials and goods in process is needed to ensure the smooth production process. The inventory of finished goods must always be there *buffer stock* in the manufacturing industry to meet emerging demand. Inventory often changes so managers must be careful in managing and determining the amount of inventory so that there is no excess or shortage of inventory. If the amount of inventory is excessive, it will increase the costs borne by the company for maintenance and the risk of damage due to too long storage, thereby reducing quality and profitability. Meanwhile, if there is a shortage of inventory, it will hamper the production process because average production costs will increase and put pressure on the company's profits.

Effort to increase profitability and to be able to compete with other similar industrial companies, management in the company must have the right strategies, one of which is credit sales. The output produced is sold not only by cash sales, but also by credit sales. Selling on credit is nothing new for a business venture. However, credit sales are expected to provide more profits than cash sales. Sales on credit will give rise to receivables.

Sales on credit do not receive payment immediately when the transaction occurs, but are given a period of time to pay the credit. The time period given is usually a relatively short period of time, namely 30 days to 60 days in accordance with the credit policy set by the company. With receivables, costs will arise such as administration of receivables, capital costs for funds embedded in receivables, collection costs and bad debt costs. The greater the receivables that arise, the greater the costs the company will incur. Apart from the size of the receivables that arise, the speed at which the receivables are turned back into cash can also affect the company's profitability. Kasmir (2012:114), if the Receivable Turnover ratio is high, this shows that the working capital invested in receivables is getting lower (compared with the previous year's ratio) and of course this condition for the company is getting better. On the other hand, if the turnover ratio is low, this indicates that there is *over investment* in receivables. For this reason, it is necessary to manage receivables effectively and efficiently because this is related to the profits obtained and the expenses incurred due to receivables.

PT. Nippon Indosari Corpindo, Tbk is a company in the consumer goods sector, which aims to meet the needs of its consumers. (source : <https://www.sariroti.com>). Every year companies always compete to release new innovations in their products to satisfy consumers. By looking at the financial reports of several companies in the consumer sector on the Indonesian Stock Exchange over the past few years, Net Profit Margin (NPM), Inventory Turnover and receivables have fluctuated from year to year. Especially at PT. Nippon Indosari Corpindo Tbk. This can be seen in table 1.1 below

Table 1
Receivable Turnover Level, Inventory Turnover and Net Profit Margin at PT. Nippon Indosari Corpindo Tbk for the 2019-2023 period

Variable	Year				
	2019	2020	2021	2022	2023
Receivable Turnover (Kali)	7,85	8,72	8,22	8,81	8,74
Inventory Turnover (Kali)	49,88	52,69	41,22	46,08	50,37
Net Profit Margin (%)	14,25	12,52	10,50	10,02	12,44

Source : <https://www.idx.com> (data processed)

Based on the data in table 1.1, it can be seen that financial conditions fluctuate from year to year. In the Inventory Turnover variable, low turnover occurred in 2021, namely 41.22 turnovers, while a high turnover rate occurred in 2020 with turnovers of 52.69 times. Receivable Turnover variable, the high turnover rate occurred in 2022, namely 8.81 turnovers and the low turnover rate occurred in 2019, namely 7.85 turnovers. In the Net profit Margin variable, the largest percentage is in 2019, it is 14.25% and the smallest is in 2022, it is 10.02%.

The aim of the problem in this research is to find out and analyze how much influence Receivable Turnover and Inventory Turnover have on net profit at PT. Nippon Indosari Corpindo Tbk. Both partially and simultaneously within a five year period.

2. Literature Review

a. Understanding Net Profit Margin

Net Profit (Net Profit Margin) is the company's ability to obtain net profit by comparing profit after interest and tax (net profit) with sales. According to Gumanti (2011:114), Net Profit Margin is a ratio that shows the profit per rupiah of sales which is calculated by comparing the profit obtained with the sales generated. Meanwhile, according to Werner R. Murhadi (2013:64), net profit margin reflects the company's ability to generate net profits from each sale. The higher the net profit margin value, the better it is. The formula for finding net profit margin, according to Kasmir (2012:200):

$$\text{Net Profit Margin} = \frac{\text{EAT}}{\text{Sales}}$$

b. Receivable Turn Over (Receivable Turnover)

Receivable Turn Over or Receivable Turnover is a ratio used to measure how long it takes to collect receivables during one period or how many times the funds invested in these receivables are turned over in one period. The higher the ratio indicates that the working capital invested in receivables is lower (compared to the previous year's ratio) and of course this condition is getting better for the company. Conversely, if the ratio is lower there is over investment in receivables. Receivables as an element of working capital are in a rotating condition.

According to Werner R. Murhadi (2013:58), the Receivable Turnover ratio shows the Receivable Turnover in one period. The higher the Receivable Turnover, it indicates that the investment made in the form of receivables is low. On the other hand, if Receivable Turnover is low, it shows that the company is too much or too loose in providing receivables to customers. Meanwhile, according to Sartono, in Muttaqim (2020), Receivable Turnover is the period for collecting receivables or Receivable Turnover, namely the average days needed to convert receivables into cash.

Based on the experts' understanding of Receivable Turnover, it can be concluded that, receivable turnover or Receivable Turnover is the average Receivable Turnover in the form of days needed to convert receivables into cash. The faster the Receivable Turnover, the faster the receivables will return to cash. The way to find this ratio is by comparing credit sales with

average receivables. The formula for finding receivable turnover or Receivable Turnover is as follows:

$$\text{Perputaran Piutang} = \frac{\text{Penjualan Kredit}}{\text{Piutang}}$$

c. Understanding Inventory Turnover

According to Bambang Hermanto Mulyo Agung (2020:110), Inventory turnover or Inventory Turnover is a ratio used to find out how long Inventory Turnover takes compared to the total cost of goods sold. According to Werner R. Murhadi (2013:59), the inventory turnover ratio or Inventory Turnover is a ratio that indicates a company's efficiency in processing and managing its inventory.

According to Kasmir (2012: 180), Inventory turnover or Inventory Turnover is a ratio used to measure how many times funds are invested in inventory (*inventory*) it rotates over a period. It can also be interpreted that Inventory Turnover is a ratio that shows how many times the number of inventory items is replaced in one year. The smaller this ratio, the worse it is and vice versa. Based on the understanding of several experts regarding inventory turnover or Inventory Turnover, it can be concluded that inventory turnover is a ratio used to measure the funds invested and the company's ability to process its inventory in a period or one year.

Inventory turnover or Inventory Turnover is part of the activity ratio, where the ratio is used to measure the company's effectiveness in using the assets it owns. Or it could also be said that this ratio is used to measure the level of efficiency (effectiveness) of company resource utilization, Kasmir (2012: 172). The formula used to calculate inventory turnover is as follows:

$$\text{Perputaran Persediaan} = \frac{\text{Penjualan}}{\text{Persediaan}}$$

d. Hypothesis

A hypothesis is a temporary answer to the formulation of a research problem. The hypothesis in this research is based on the framework above. Where the two independent variables (X) above, namely Inventory Turnover and Receivable Turnover, will be expected to influence the profit margin in this case, namely *Net Profit Margin* (NPM) which is the dependent variable (Y). The following hypothesis in this research is that Receivable Turnover and Inventory Turnover partially and simultaneously have a significant effect on net profit margin.

3. Research Methods

This research was conducted at PT. Nippon Indosari Corpindo, Tbk. Which are included in the consumer goods sub-sector companies listed on the Indonesia Stock Exchange (BEI) which are accessed via www.idx.co.id. The research time was carried out and calculated from May 2019 to September 2019. This time includes the planning, implementation and reporting of research results. The data source used by researchers is quantitative data, namely data in the form of numbers, numbers and ratios. The secondary data in question is PT. Nippon Indosari Corpindo, Tbk Researchers use data collection techniques in the form of documentation, namely collecting, recording and reviewing secondary data in the form of company financial reports. Multiple linear regression analysis techniques are used to determine the influence of the independent variables (Receivable Turnover and Inventory Turnover) on the dependent variable (Net Profit Margin) either partially or simultaneously

4. Research Results and Discussion

a. description of Research Variables

From the calculation results, it can be concluded that Receivable Turnover at PT. Nippon Indosari Corpindo, Tbk experienced fluctuations in the 2019-2023 period. It can be seen that in 2023 Receivable Turnover is higher than the following year, with total sales of IDR. 5,301,947,180,208 and the receivables amounted to Rp. 913,707,367,899, then the total Receivable Turnover in 2023 will be 22.64 times turnover. This is in line with (Kasmir: 180), if the level of sales and receivables is higher, the Receivable Turnover ratio will be better in generating profits.

In other words, the lower the Receivable Turnover level, the slower or smaller the profit margin will be. However, on the contrary, the higher the Receivable Turnover, the better it is for the company. Because the higher the Receivable Turnover efficiency, the greater the profits obtained. However, on the other hand, if Inventory Turnover efficiency is low it will affect the level of profit margin.

From the calculation results it can be concluded that Inventory Turnover at PT. Nippon Indosari Corpindo, Tbk experienced fluctuations in the 2019-2023 period. It can be seen that in 2023 Inventory Turnover is relatively high compared to the previous year, with total sales of IDR 5,301,947,180,208 and the total inventory is IDR 155,452,100,648, so the Inventory Turnover in 2023 will be 133.2 times turnover. This is in line with (Kasmir: 180), if the level of sales and inventory is higher, the inventory turnover ratio will be better in generating profits.

In other words, the lower the Inventory Turnover level, the slower or smaller the profit margin will be. However, on the contrary, the higher the Inventory Turnover, the better it is for the company. Because the higher the efficiency of Inventory Turnover, the greater the profits obtained. However, on the other hand, if Inventory Turnover efficiency is low it will affect the level of profit margin.

From the calculation results, it can be concluded that the net profit margin at PT. Nippon Indosari Corpindo, Tbk in the 2019-2023 period experienced fluctuations in quarterly data. It can be seen that in September 2021 the net profit margin was relatively low compared to the previous month, with an EAT level of IDR 90,848,229,702 and sales of IDR 1,056,902,413,077, so the net profit margin in September 2021 was 8.60%. Meanwhile, in March 2021 the net profit margin at

PT. Nippon Indosari Corpindo, Tbk was relatively high from the previous and following months, namely 15.69% with EAT of IDR 55,957,472,321 and total sales of IDR 356,725,809,614.

The influence of Receivable Turnover and Inventory Turnover partially and simultaneously has a significant effect on Net Profit Margin.

The influence of receivables and inventory turnover on net profit margin using multiple linear regression analysis techniques. In table 1, the following summary of the results of multiple linear analysis is presented;

Table 2. Summary of Multiple Linear Regression Analysis Results

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	14,172	,802		17,675	,000
RTO	2,469	,675	3,095	3,658	,002
THIS	,370	,118	2,659	3,142	,006
Adjusted $r^2 = 0,462$					
F = 9,169					
Sig = 0.002					

Source: SPSS 22 Appendix (processed data)

Based on the test results above, an equation can be prepared as follows:

$$Y = 14,172 + 0,370X_1 + 2,469X_2 + \text{and}$$

From this equation, it can be concluded as follows:

1. $a = 14.172$ means that if Receivable Turnover and Inventory Turnover do not change or are constant at 0, then the Net Profit Margin is 14.172%.
2. B_1 has a positive value of 2.469, meaning that Receivable Turnover is directly proportional to the Net Profit Margin at PT Nippon Indosari Corpindoi, Tbk. If Receivable Turnover increases once while the other variables do not experience constant changes, then the Net Profit Margin will increase by 2.469%.
3. B_2 has a positive value of 0.370, meaning that Receivable Turnover is directly proportional to the Net Profit Margin at PT. Nippon Indosari Corpindo, Tbk. If Inventory Turnover increases by one time while other variables do not experience constant changes, then the Net Profit Margin will increase by 0.370%.

Table 3. Simultaneous Hypothesis Testing (F Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Say.
1	Regression	34,227	2	17,113	9,169	,002 ^b
	Residual	31,730	17	1,866		
	Total	65,957	19			
a. Dependent Variable: NPM						
b. Predictors: (Constant), RTO, ITO						

Source: SPSS 22 Appendix (processed data)

The output calculated F value obtained was 9.169 with a significance of 0.02. To determine the value in the F table by looking at the statistical table at a significance level of 0.05 with df 1 = 2, and df 2 (n-k-1) or 20-2-1 = 17, the results obtained for the F table are 3.592. With a calculated F value that is greater than F table, namely (9.169 > 3.592) and a smaller significance (0.02 < 0.05), then H_a accepted and H_0 rejected. This means that Inventory Turnover and Receivable Turnover together (simultaneously) affect the net profit margin.

Table 4. Partial Hypothesis Test (t Test)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Say.
		B	Std. Error	Beta		
1	(Constant)	14,172	,802		17,675	,000
	THIS	,370	,118	2,659	3,142	,006
	RTO	2,469	,675	3,095	3,658	,002
a. Dependent Variable: NPM						

Source: SPSS 22 Appendix (processed data)

Based on the results above, it can be seen that:

- The Inventory Turnover variable has a t count of 3.142 with a significant value of 0.006. The t table can be seen in the statistical table at a significance of 0.05 with freedom df = n-k-1 (20-2-1 = 17) so the results obtained for the t table are 1.740. With the calculated t value greater than the t table (3.142 > 1.740) and the significance value smaller than 0.05 (0.006 < 0.05) it can be concluded that H_1 accepted and H_0 rejected. This means that Inventory Turnover partially has a significant effect on net profit margin. A positive calculated t value means that it has a positive effect, that is, if Inventory Turnover increases, the net profit margin will also increase.
- The Receivable Turnover variable has a calculated t (3.658) with a significant value of 0.002. The t table can be seen in the statistical table at a significance of 0.05 with

freedom $df = n - k - 1$ ($20 - 2 - 1 = 17$) so the results obtained for the t table are 1.740. With the calculated t value being smaller than the t table ($3.658 > 1.740$) and the significance value being smaller than 0.05 ($0.002 < 0.05$), it can be concluded that H_2 accepted and H_0 rejected. This means that Receivable Turnover partially influences the net profit margin. A positive calculated t value means that it has a positive effect, that is, if Receivable Turnover increases, the net profit margin will increase.

b. Discussion

Pengaruh Receivable Turnover (X_2) to Net Profit Margin (Y)

Based on the results of the regression test, it can be seen that the Receivable Turnover (RTO) shows that the calculated t is greater than the t table ($3.658 > 1.740$) with a significance of 0.002 where the significance number is smaller than 0.05 ($0.002 < 0.005$) so it is in accordance with the test criteria hypothesis set by H_2 accepted and H_0 rejected. This means that Receivable Turnover partially has a significant effect on the net profit margin at PT. Noppon Indosari Corpindo, Tbk. This is in line with research by Erik Pebrin Naibaho and Sri Rahayu (2019) regarding *The Effect of Receivable Turnover and Inventory Turnover on Profitability (Empirical Study of Food and Beverage Companies listed on the IDX 2008-2012)* and Clairene E.E. Santoso (2013) regarding *The Effect of Working Capital Turnover and Receivable Turnover on Profitability at PT. Pegadaian (Persero)* which states that Receivable Turnover has a significant effect on Profitability.

Effect of Inventory Turnover (X_1) to Net Profit Margin (Y)

The relationship between Inventory Turnover and profit margin with the net profit margin ratio, based on the research results, it is known that the results of the t test on the Inventory Turnover (ITO) indicator show that the calculated t is greater than the t table ($3.142 > 1.740$) with a significance of 0.006 where the significance figure is smaller of 0.05 ($0.006 < 0.005$) then according to the hypothesis testing criteria that have been set H_1 accepted and H_0 rejected. This means that Inventory Turnover partially has a significant effect on the net profit margin at PT. Nippon Indosari Corpindo, Tbk. This is in line with research by Erik Pebrin Naibaho and Sri Rahayu (2019) regarding *The Effect of Receivable Turnover and Inventory Turnover on Profitability (Empirical Study of Food and Beverage Companies listed on the IDX 2008-2012)* and research by Dwi Wulandari (2022) regarding *The Influence of Inventory Turnover and Working Capital on Financial Performance at CV. Beautiful Palembang Works* which states that Inventory Turnover has a significant effect on Profitability.

Effect of Inventory Turnover (X_1) dan Receivable Turnover (X_2) to Net Profit Margin (Y)

Based on the F test (simultaneous) that has been carried out, it can be seen that Inventory Turnover (ITO) and Receivable Turnover (RTO) have a joint (simultaneous) influence on Net Profit Margin. This is proven by the results of the F test which obtained a calculated F of 9.169

with a significance of 0.002. From determining the F table, a value of 3.592 is obtained with a significance of 0.05. From these results it was found that the calculated F value was greater than F table ($9.169 > 3.592$) with a significant smaller than 0.05 ($0.002 < 0.05$), so H_a accepted and H_0 rejected. This means that Inventory Turnover and Receivable Turnover together (simultaneously) have a significant effect on Net Profit Margin at PT. Nippon Indosari Corpindo, Tbk. This is in line with research by Erik Pebrin Naibaho and Sri Rahayu (2019) regarding *The Effect of Receivable Turnover and Inventory Turnover on Profitability (Empirical Study of Food and Beverage Companies listed on the IDX 2008-2012)* which states that Receivable Turnover and Inventory Turnover together (simultaneously) have a significant effect on Profitability.

5. Conclusions and Suggestions

From the results of the testing and discussion above, the following conclusions can be drawn: The Inventory Turnover and Receivable Turnover variables together (simultaneously) have a significant effect on the Net Profit Margin, the Receivable Turnover variable partially has a significant effect on the Net Profit Margin. where the significance value is smaller, the Inventory Turnover variable partially has a significant effect on Net Profit Margin, where the significance value is smaller, the coefficient of determination (R square) is 0.519 or 51.9%. This means the contribution of the Inventory Turnover variable (X_1) dan Receivable Turnover (X_2) affects the profit margin variable (Y) only by 51.9% and the remaining 48.1% is influenced by other variables not included in this research such as cash turnover, company working capital.

Based on the conclusions, the researcher provides several suggestions, as follows: Further research needs to be carried out on broader variables considering that the independent variables only focus on financial factors. For companies to increase the level of Receivable Turnover and company inventory in optimizing company profitability, companies should implement policies in actively collecting receivables, in this way the collection of receivables will be collected quickly.

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