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THE EFFECT OF RECEIVABLES TURNOVER, INVENTORY TURNOVER, AND WORKING CAPITAL TURNOVER ON FINANCIAL PERFORMANCE

[1]Awanda Ricky Aprillah
Accounting Study Program, Faculty Of Economics And Business
Islamic University Of Lamongan
Lamongan, Indonesia
rickyaprill144@gmail.com

[2]Abidah Dwi Rahmi Satiti
Accounting Study Program, Faculty Of Economics And Business
Islamic University Of Lamongan
Lamongan, Indonesia
abidahdwirahmi@unisla.ac.id

[3]Erna Hayati
Accounting Study Program, Faculty Of Economics And Business
Islamic University Of Lamongan
Lamongan, Indonesia
ernahayati@unisla.ac.id

[4]Abdul Ghofur
Accounting Study Program, Faculty Of Economics And Business
Islamic University Of Lamongan
Lamongan, Indonesia
abdulghofur@unisla.ac.id

[5]Fitri Nur Jannah
Accounting Study Program, Faculty Of Economics And Business
Islamic University Of Lamongan
Lamongan, Indonesia
fitrinurjanah@unisla.ac.id

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ABSTRACT

Financial Performance is an analysis that is carried out to be able to see the extent to which the company carries out the company's activities by using the rules of financial implementation properly and correctly (Fahmi, 2012). Analysis of the company's financial performance can be used as material for evaluating the company in generating profits based on the financial activities it performs. This study aims to examine the effect of Receivables Turnover, Inventory Turnover, and Working Capital Turnover on Financial Performance in Industrial Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2020-2023 period. The sample in this study is 161 annual financial statements. This study uses a quantitative approach with the STATA analysis tool. Data analysis techniques include Descriptive Analysis, Classical Assumption Test, Multiple Linear Regression Analysis, Hypothesis Test, and Model Selection Test to test and explain the relationship between research variables. The results of this study show that

Receivables Turnover has a significant effect on Financial Performance, Inventory Turnover has no effect on Financial Performance, Working Capital Turnover has no effect on Financial Performance. This research contributes to companies to provide consideration in efforts to improve the company's Financial Performance. The results of this study also provide input to companies on the importance of the Receivables Turnover ratio for improving Financial Performance.

INTRODUCTION

Competition in the business world in this era of globalization is getting tighter. Including in the fields of economy and free trade which has caused increasingly fierce business competition in Indonesia. Companies compete with each other, especially with the increasing ease of technology and communication. In the business world, the main goal in a company is to get maximum profits from each of its operational activities.

Manufacturing companies engaged in the Industrial sector (various industries) play an important role in the Indonesian economy. Because the Industrial sector provides jobs and generates foreign exchange. This sector consists of building products & fixtures, machinery, electrical, commercial services, professional services, disversified industrial, and multi-sector holdings.

The phenomenon that occurs in the Industrial sector needs attention, because this sector has an important role in the country's economy. Corruption and bankruptcy are one of the factors that affect the financial performance of this sector. The following companies that are bankrupt or bankrupt are: PT Hanson International Tbk (MYRX), PT Grand Kartech Tbk (KRAH), PT Surabaya Agung Industri Pulp & Kertas (SAIP), dan PT Cottonindo Ariesta Tbk (KPAS). Kemudian diikuti oleh PT Steadfast Marine Tbk (KPAL), PT Texmaco Perkasa Engineering Tbk (TPEN), PT Prima Alloy Steel Universal Tbk (PRAS), dan PT Nipress Tbk (NIPS). (www.cnbc.indonesia.com). (Mentari Puspadini, 2024).

The first phenomenon is PT Hanson International Tbk (MYRX) which is one of the issuers that was confiscated by the Attorney General's Office due to the Jiwasraya-Asabri Corruption case by Benny Tjokosaputro (Bentjok). After being confiscated, the Attorney General owns 172,969,221 shares of MYRX shares or equivalent to 15.43%. The second phenomenon is the shares of a cotton producer, PT Cottonindo Ariesta Tbk (KPAS), which was officially declared bankrupt by the Panel of Judges of the Central Jakarta Commercial Court on Thursday (16/2/2023). The next phenomenon, namely KPAL Bankruptcy, was also announced through letter No. 028/TIMKURATOR-STEADFAST/V/2023 dated May 5, 2023.

Based on the above phenomenon, the researcher will analyze financial ratios that are able to provide an overview of the company's financial performance. Some of the relevant ratios in this case are the Receivables Turnover which shows the company's ability to collect receivables. Inventory turnover that shows how effective a company is in managing its inventory. Working Capital Turnover shows the company's ability to manage working capital.

This study aims to examine the effect of Receivables Turnover, Inventory Turnover, and Working Capital Turnover on Financial Performance in Industrial Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2020-2023 period. The benefit of this research is theoretically that it can be used as a reference in conducting research related to the topic of the

influence of Receivables Turnover, Inventory Turnover, and Working Capital Turnover on Financial Performance in Industrial sector manufacturing companies listed on the Indonesia Stock Exchange (IDX). Practically, the research results are expected to be used by companies in assisting company management in making decisions related to more effective management of receivables, inventories and working capital.

Receivables Turnover is a ratio used to measure how long it takes to collect receivables for a period (Kasmir, 2017:113). According to Syakhiya (2020), it is stated that the Receivables Turnover has an effect on Financial Performance, while according to (Meisaroh and Dewi, 2023) it is stated that the Receivables Turnover has no effect on Financial Performance. Inventory Turnover is a ratio that can show the number of times funds invested in inventory rotate in a period (Kasmir, 2016:180). According to Arintasari (2021) states that Inventory Turnover has an effect on Financial Performance, while according to (Wulandari and Akhirruddin, 2024) it is stated that Inventory Turnover has no effect on Financial Performance. Working Capital Turnover is the ability possessed by a company to manage working capital and how effectively the Working Capital Turnover in the company is used in a period or within a certain period (Furqon, 2019). According to Yuliningsih and Rinofah (2021) stated that the Working Capital Turnover has an effect on Financial Performance, while according to (Ariansya and Isynuwardhana, 2020) it is stated that the Working Capital Turnover has no effect on Financial Performance.

THEORETICAL FOUNDATION AND HYPOTHESIS DEVELOPMENT

Signal Theory

This research applies the Signal Theory first proposed by Spence (1973) which explains that the sender (owner of information) provides a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor). This theory states the importance of information provided by companies to investment decisions by parties outside the company (Ross, 1977). Signal Theory proposes how a company provides signals to users of financial statements in the form of information about the company's financial capabilities or performance (Wolk et al., 2000).

Financial Performance is a condition that describes the finances of a company that conducts analysis with financial analysis tools, so that it is able to find out about the good and bad financial condition of a company which is a reflection of work performance (Arifin and Marlius, 2017). According to Romadona and Handayani (2021), the company's financial performance can be seen from the company's financial statements submitted to the public and submitted directly to its investors. The Financial Performance of a company is measured by analyzing one of its financial ratios, and in this study what is used is the ROA ratio. ROA can provide clues about the company's ability to make profits by using all its assets. Return On Assets (ROA) can provide clues about a company's ability to make a profit by using all its assets. According to Sartono (2001) Return On Assets (ROA) is one of the profitability ratios, which is a ratio that shows how effectively the company operates so as to generate profits/profits for the company. Profitability indicates a company's ability to generate profits over a certain period (Satiti and Luthfianah, 2022).

The Effect of Receivables Turnover on Financial Performance

Receivables Turnover is a ratio used to measure how long it takes to collect receivables for a period (Kasmir, 2017:113). Receivables Turnover is related to Signal Theory, where a high turnover rate indicates the efficiency of receivables management. This sends a positive signal to investors that the company can collect receivables quickly, minimize the risk of uncollectible receivables, and increase liquidity.

According to Akmalia (2020), it is stated that the Receivables Turnover has a positive and significant effect on Financial Performance. According to Lofenda et al., (2024) states that the Receivables Turnover has a positive and significant effect on Financial Performance. According to Muhibah and Yunus (2020), it is stated that the Turnover of Receivables has a positive and significant effect on Financial Performance. So it can be hypothesized as follows:

H1 : Receivables Turnover has a significant positive effect on Financial Performance.

The Effect of Inventory Turnover on Financial Performance

Inventory Turnover is a ratio that can show the number of times funds invested in inventory revolving in a period (Kasmir, 2016:180). Signal Theory describes how companies convey information to investors through financial statements, including Inventory Turnover ratios. A good ratio indicates efficiency in inventory management, which can reduce storage costs and expiry risk.

According to Arintasari (2021), it is stated that Inventory Turnover has a positive and significant effect on Financial Performance. According to Syakhiya et al., (2020) stated that Inventory Turnover has a positive and significant effect on Financial Performance. According to Atmaja and Muid (2021), it is stated that Inventory Turnover has a positive and significant effect on Financial Performance. So it can be hypothesized as follows:

H2 : Inventory Turnover has a significant positive effect on Financial Performance.

The Effect of Working Capital Turnover on Financial Performance

Working Capital Turnover is the ability possessed by a company to manage working capital and how effectively the working capital turnover in the company is used in a period or within a certain period (Furqon, 2019). A high working capital turnover indicates that a company can effectively generate cash from its sales, thus being able to provide a positive signal that the company has sufficient liquidity to meet short-term obligations that increase investor confidence.

According to Meisaroh and Dewi (2023), it is stated that the Working Capital Turnover has a significant and positive effect on Financial Performance. According to Yuliningsih and Rinofah (2021), it is stated that the Working Capital Turnover has a positive and significant effect on Financial Performance. According to Tias et al., (2020) stated that the Working Capital Turnover has a positive and significant effect on Financial Performance. So it can be hypothesized as follows:

H3 : Working Capital Turnover has a significant positive effect on Financial Performance.

RESEARCH METHODS

Population and Research Sample

This research is quantitative and uses secondary data obtained from the Indonesia Stock Exchange for 4 consecutive years from 2020-2023. The data is the financial statements of

manufacturing companies in *the Industrial sector* that have been published. The population in this study is Industrial sector manufacturing companies listed on the Indonesia Stock Exchange. The number of samples used in this study was 176 data from 44 companies multiplied by 4 years (2020-2023).

Table 1
Industrial Sector Manufacturing Companies

No	Code	Company Name
1	AMFG	Asahimas Flat Glass Tbk.
2	AMIN	Ateliers Mecaniques D Indonisie Tbk.
3	APII	Arita Prima Indonesia Tbk.
4	ARKA	Arkha Jayanti Persada Tbk.
5	ARNA	Arwana Citramulia Tbk.
6	CAKK	Cahayaputra Asa Keramik Tbk.
7	CCSI	Communication Cable Systems Indonesia Tbk.
8	CTTH	Citatah Tbk.
9	GPSO	Geoprima Solusi Tbk.
10	HEXA	Hexindo Adiperkasa Tbk.
11	HOPE	Harapan Duta Pertiwi Tbk.
12	IKBI	Sumi Indo Kabel Tbk.
13	IMPC	Impack Pratama Industri Tbk.
14	INTA	Intraco Penta Tbk.
15	JECC	Jembo Cable Company Tbk.
16	KBLI	KMI Wire & Cable Tbk.
17	KBLM	Kabelindo Murni Tbk.
18	KIAS	Keramika Indonesia Assosiasi Tbk.
19	KOBX	Kebexindo Tractors Tbk.
20	KOIN	Kokoh Inti Arebama Tbk.
21	KPAL	Steadfast Marine Tbk.
22	KRAH	Grand Kartech Tbk.
23	KUAS	Ace Oldfields Tbk.
24	LABA	Ladangbaja Murni Tbk.
25	MARK	Mark Dynamics Indonesia Tbk.
26	MLIA	Mulia Industrindo Tbk.
27	NTBK	Nusatama Berkah Tbk.
28	SCCO	Supreme Cable Manufacturing & Commerce Tbk.
29	SINI	Singaraja Putra Tbk.
30	SKRN	Superkrane Mitra Utama Tbk.
31	SPTO	Surya Pertiwi Tbk.

32	TOTO	Surya Toto Indonesia Tbk.
33	UNTR	United Tractors Tbk.
34	VOKS	Voksel Electric Tbk.
35	ASGR	Astra Graphia Tbk.
36	BINO	Perma Plasindo Tbk.
37	BLUE	Berkah Prima Perkasa Tbk.
38	DYAN	Dyandra Media International Tbk.
39	ICON	Island Concepts Indonesia Tbk.
40	INDX	Tanah Laut Tbk.
41	JTPE	Jasuindo Tiga Perkasa Tbk.
42	KONI	Perdana Bangun Pusaka Tbk.
43	LION	Lion Metal Works Tbk.
44	MDRN	Modern Internasional Tbk.
45	MFMI	Multifiling Mitra Indonesia Tbk.
46	PADA	Personel Alih Daya Tbk.
47	SOSS	Shield On Service Tbk.
48	TIRA	Tira Austenite Tbk.
49	TRIL	Triwira Insanlestari Tbk.
50	ABMM	ABM Investama Tbk.
51	ASII	Astra Internasional Tbk.
52	BHIT	MNC Asia Holding Tbk.
53	BMTR	Global Mediacom Tbk.
54	BNBR	Bakrie & Brothers Tbk.
55	MLPL	Multipolar Tbk.
56	ZBRA	Dosni Roha Indonesia Tbk.

Source : www.idx.co.id

The sample extraction technique used in this study is *a purposive sampling technique* with the aim of obtaining samples that are in accordance with the specified criteria.

The criteria used to select samples in this study are:

1. Industrial sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period.
2. Financial statements of manufacturing companies in the various *industrial* sectors listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023.

Table 2
Sampling Criteria

No	Sample Criteria	Sample
1	Industrial sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period	56

2	The Company's financial statement data is non-consecutive for the reporting period from 2020 to 2023	(14)
3	**Number of company samples**	**44**
4	**Number of observers (44x4 years)**	**176**
5	Outlier Date	(15)
6	**Number of samples after outlier**	**161**

Based on the sample criteria above, it shows that of the 56 companies listed on the Indonesia Stock Exchange. There are 14 companies that do not have consecutive financial statement data for the 2020-2023 period. This study used 44 companies as a sample that was observed for 4 years, and produced a total of 176 observation data, then outlier data was carried out so that it became 161 observation data.

Variable Measurement

Variable Dependency

The dependent variable of this study is Financial Performance. According to Fahmi (2014), Financial Performance is the same as an examination directed to read how far an organization has carried out finance implementation regulations properly, appropriately and accurately. Financial Performance is measured using ROA. ROA is the proportion that gets results from the utilization of organizational assets in generating net profits (Arintasari, 2021).

Independent Variables

The independent variables of this study are Receivables Turnover, Inventory Turnover, and Working Capital Turnover. According to Kasmir (2012) "Receivables Turnover is a ratio used by a company to measure the number of times receivables revolving over a period or the number of times funds invested in receivables revolving in a period". According to Hery (2017) Inventory Turnover is a ratio used to measure the number of times funds in inventory rotate over a certain period of time or how many times (days) inventory is held until the average inventory is finally sold. According to Djarwanto (2001), the Working Capital Turnover is the ratio between sales and working capital. A large Working Capital Turnover illustrates that the higher the company's ability to make a profit through sales.

Operational and Table Measurement

Tebel 3
Operational and Table Measurement

Variabel	Operational Definition	Measurement
Variable Dependency : Financial Performance ROA	Financial Performance is an analysis that is carried out to be able to see the extent to which the company carries out the company's activities	ROA = (Net Profit After Tax/Total Assets) x 100%

	by using the rules of financial implementation properly and correctly (Fahmi, 2012).	
Independent Variables: Turnover of Receivables	Receivables Turnover is a ratio used by a company to measure the number of times receivables receivables receivables rotate during a period or the number of times funds invested in receivables revolving in a period (Kasmir, 2012).	Receivables Turnover = Net Sales/Average Receivables
Independent Variables: Inventory Turnover	Inventory Turnover is a ratio used to measure the number of times funds in inventory rotate over a period of time or the number of times (days) inventory is held until the average inventory is finally sold (Hery, 2017).	Inventory Turnover = HPP/Average Inventory
Independent Variables: Working Capital Turnover	Working Capital Turnover is the ratio between sales and working capital. The large turnover of working capital illustrates that the higher the company's ability to make profits through sales (Djarwanto, 2001).	Working Capital Turnover = Sales/(Current Assets – Current Debt)

Sources and Methods of Data Collection

The data source used is secondary data in the form of financial statements that are already available on the official website of the Indonesia Stock Exchange (IDX) in www.idx.co.id. The data collection method uses *purposive sampling* techniques, certain criteria that have been applied by researchers, as shown in Table 2 (two). So that a sample of 44 companies and 161 observations were obtained.

Data Analysis

The data analysis technique used in this study uses quantitative analysis using the STATA program. The data analysis techniques used are Descriptive Analysis, Classical Assumption Test, Multiple Linear Regression Analysis, Hypothesis Test, and Model Selection Test. The purpose of model selection is to choose the best model that best suits the study data. A number of models are taken into account such as REM and FEM.

RESULTS AND DISCUSSION

Descriptive Analysis

Table 4
Statistics Descriptive

Variable	Obs	Mean	Std Deviation	Min	Max
ROA	161	0.0351056	0.1105766	-0.6792144	0.5143072
Receivable Turnover	161	5.645037	4.061774	0.3562648	24.03078
Inventory Turnover	161	12.51122	30.12043	0.0932197	197.0626
Working Capital Turnover	161	7.560035	100.6734	-296.4893	1181.269

In the descriptive statistics table, ROA has a mean of 0.0351056, Receivables Turnover 5.645037, Inventory Turnover 12.51122, and Working Capital Turnover 7.560035. It can be seen from the maximum value of ROA of 0.5143072, and a minimum value of -0.6792144, the maximum value of 24.03078 and the minimum value of 0.3562648, the maximum value of 197.0626 and the minimum value of 0.0932197, as well as the maximum value of 1181.269 and the minimum value of -296.4893 with a standard deviation of ROA of 0.1105766, the Turnover of Receivables 5.645037, the Turnover of Inventory 30.12043, and the Turnover of Working Capital of 100.6734.

Panel Data Regression Estimation Model

Table 5
Chow Test

F test that all u_i = 0 : F(41, 116) =	1.91
Prob > F	0.0038

Based on the table above, the profitability results show 0.0038 that the Prob value < 0.05 so that H0 is rejected and *the Fixed Effect Model* (FEM) is considered more appropriate to be used in the estimation of panel data than *the Partial Least Square* (PLS).

Table 6
Lagrange Multiplier (LM) Test

	Var	Sd = sqrt (Var)
ROA	0.0122272	0.1105766
E	0.0096479	0.0982239
U	0.0019228	0.0438497
Test : Var (u)	0	
Chibar2 (01)	6.24	
Prob > chibar2	0.0062	

The profitability result shows 0.00062 that the Prob value < 0.05, so H0 is rejected and *the Random Effect Model* (REM) is considered more appropriate to use in the estimation of panel data compared to *the Partial Least Square* (PLS)).

Table 7
Hausman Test

	(b)	(B)	(b-B)	Sqrt (diag (V_b-V_B))
	fe	re	Difference	S.E.
Receivable Turnover	0.0094147	0.0057926	0.0036221	0.0044884
Inventory Turnover	0.0013821	-0.0000283	0.0014104	0.000703
Working Capital Turnover	0.0000589	-8.06e-07	0.0000597	0.0000412
Chi 2 (3)	(b-B)'[(V_b-V_B)^(-1)](b-B) 6.92			
Prob > chi 2	0.0746			

The results of the thirst test show a value of 0.0746 that the value of Prob > chi2 is > (0.05), so it does not reject the null hypothesis at the conventional significance level (e.g. 5% or 10%). This shows that there is no significant systematic difference between the coefficients estimated by *the Fixed Effect Model* (FEM) and *the Random Effect Model* (REM). Based on the results of the chow test, LM test, and thirst test, it can be concluded that *the Random Effect Model* (REM) is a more appropriate model.

Classic Assumption Test

Table 8
Normality Test

Variable	Obs	W	V	z	Prob > z
ROA	161	0.82070	22.170	7.051	0.00000
Receivable Turnover	161	0.86006	17.303	6.487	0.00000
Inventory Turnover	161	0.38151	76.474	9.868	0.00000
Working Capital Turnover	161	0.18033	101.349	10.509	0.00000

The results of the normality test of each variable ROA, Receivables Turnover, Inventory Turnover, and Working Capital Turnover show a Prob value of > z of 0.00000, which means subtracting H0. Thus, the data is not distributed normally.

Table 9
Multicollinerity Test

Variable	VIF	1/VIF
Receivable Turnover	3.59	0.278187
Intercept	2.98	0.335543
Inventory Turnover	1.42	0.705985
Working Capital Turnover	1.02	0.979177
Mean VIF	2.25	

All VIF values for independent variables (Receivables Turnover, Inventory Turnover, and Working Capital Turnover) are below 5 and also below 10. Similarly, all values of 1/VIF are greater than 0.2 (and also 0.1). A "Mean VIF" value of 2.25 also indicates that on average, there are no severe multicollinearity problems in the model. Therefore, it can be concluded that there is no significant problem of multicollinearity among the independent variables in this regression.

Table 10
Heteroskedaticity Test

Chi 2(1)	21.88
Prob > chi 2	0.0000

The results of the heteroskedaticity test showed a prob > chi of 0.0000. This figure is much smaller than the general significance level of 0.05 (or even 0.01). Therefore, we reject the null hypothesis (H0), it can be concluded that heteroscedaticity occurs.

Hypothesis Test

Table 11
t Test

Variable	Coefficient	Std.Error	z-Statistik	Prob
Receivable Turnover	0.0057926	0.00266	2.18	0.029
Inventory Turnover	-0.0000283	0.0003644	-0.08	0.938
Working Capital Turnover	-8.06e-07	0.0000842	-0.01	0.992
C	0.0023703	0.0174761	0.14	0.892

Based on the t-test above, the following results can be obtained :

1. The Turnover of Receivables has a p-value of 0.029 which is smaller than 0.05. This shows that the Receivables Turnover has a significant positive effect on ROA. That is, the higher the Receivables Turnover, the higher the ROA, assuming other variables are constant.

2. The Inventory Turnover has a p-value of 0.938, which is greater than 0.05. This shows that the Inventory Turnover has no significant effect on ROA.
3. The Working Capital Turnover has a p-value of 0.992, which is greater than 0.05. This shows that the Working Capital Turnover has no significant effect on ROA.

Table 12
F Test

Wald chi2(3)	Prob > chi 2
5.44	0.1422

Based on the table above the p-value of 0.1422, which is greater than the general significance level of 0.05, fails to reject the nil hypothesis (h_0). Overall, the regression model was not statistically significant at a significance level of 5%. This means that the independent variables (Receivables Turnover, Inventory Turnover, and Working Capital Turnover) together do not have a significant influence on ROA.

Table 13
Coefficient of Determination (R^2)

R-Squared	Nilai
Within	0.0310
Between	0.0549
Overall	0.0394

The result of the Coefficient of Determination (R^2) shows an R^2 (within) of 0.0310 meaning 3.10% this value shows that the model is less effective in explaining the variation in ROA within each company over time. An R^2 (between) of 0.0549 means that 5.49% of this value indicates that the difference in independent variables between firms has little ability to explain the difference in average ROA between firms. R^2 (overall) of 0.0394 means 3.94% of the overall R^2 value which is relatively low, indicating that the independent variables included in the model (Receivables Turnover, Inventory Turnover, and Working Capital Turnover) have very limited explanatory power for ROA.

DISCUSSION

The Effect of Receivables Turnover on Financial Performance

The results of data analysis show that the Receivables Turnover variable has a significant influence on the company's Financial Performance. This can be seen from the smaller significance value of the significance level as well as a positive regression coefficient, which indicates that the higher the Receivables Turnover, the better the company's Financial Performance. Theoretically, Accounts Receivable Turnover reflects how quickly a company can collect its receivables from customers. Receivables Turnover is related to Signal Theory, where a high turnover rate indicates the efficiency of receivables management. This sends a positive signal to investors that the company can collect receivables quickly, minimize the risk of uncollectible receivables, and increase liquidity. The higher this ratio, the more the company is able to convert receivables into cash in a relatively short time. This

certainly has a positive impact on the company's financial condition, because the quickly available cash can be used to finance operations, investments, and meet the company's short-term obligations. A high turnover of Receivables also indicates that the company has an effective credit management and billing system, as well as the ability to assess customer credit risk. This not only reduces the likelihood of bad receivables, but also improves overall operational efficiency.

Thus, the findings of this study are in line with financial management theory which states that efficiency in managing current assets, including accounts receivable, plays an important role in supporting the company's financial performance. Therefore, companies are advised to continue to improve credit policies, accelerate the collection process, and conduct periodic evaluations of customers, so that the receivables turnover rate remains optimal and can support financial performance in a sustainable manner. The results of this study are in line with previous research conducted by Akmalia (2020), Lofenda et al., (2024), Muhibah and Yunus (2020) stated that Receivables Turnover has a positive and significant effect on Financial Performance.

The Effect of Inventory Turnover on Financial Performance

Based on the results of data processing, it is known that Inventory Turnover does not have a significant effect on the company's Financial Performance. This is indicated by the greater significance value of the significance level as well as the regression coefficient that is not statistically significant. . Signal Theory describes how companies convey information to investors through financial statements, including Inventory Turnover ratios. A good ratio indicates efficiency in inventory management, which can reduce storage costs and expiry risk. The faster the Inventory Turnover, the less capital is tied up, thus increasing liquidity and attracting investors. When inventory sells quickly, companies can optimize resource utilization and increase cash flow, which has a positive impact on Financial Performance.

These findings indicate that how quickly a company manages inventory does not necessarily reflect better financial performance. Theoretically, inventory turnover reflects a company's efficiency in managing merchandise or raw materials, but in practice, this relationship is not always linear. In some companies, especially those engaged in large manufacturing or distribution, storing large quantities of inventory is a strategy to anticipate fluctuations in market demand. Even though the Inventory Turnover is low, the company is still able to generate high revenue and profit because it has the ability to meet demand quickly. A company's financial performance is very likely to be influenced by other more dominant factors, such as cost efficiency, marketing strategy, labor productivity, or even macroeconomic conditions. Therefore, low or high Inventory Turnover does not necessarily reflect overall financial performance.

These findings are in line with the results of several previous studies that have also stated that inventory turnover does not always have a significant relationship with profitability, especially if management is able to manage stock effectively despite low turnover rates. Thus, it can be concluded that in the context of the company that is the object of this study, Inventory Turnover is not the main indicator in explaining the variation in Financial Performance, and its influence may be more indirect or dependent on other supporting factors. The results of this study are in line with previous research

conducted by Mikrad et al., (2019), Wulandari and Akhirruddin (2024) stated that Inventory Turnover has no effect on Financial Performance.

The Effect of Working Capital Turnover on Financial Performance

Based on the results of the regression analysis, it is known that the Working Capital Turnover variable does not have a significant influence on the company's Financial Performance. This is indicated by a significance value greater than the significance level, as well as a low regression coefficient value. A high working capital turnover indicates that a company can effectively generate cash from its sales, thus being able to provide a positive signal that the company has sufficient liquidity to meet short-term obligations that increase investor confidence. A good working capital turnover indicates the company's ability to meet its obligations and minimize financial risks. Thus, good working capital management can increase investment attractiveness. When many investors are interested in investing in a company it can improve profits and Financial Performance.

These findings show that the pace of Working Capital Turnover does not necessarily reflect the level of the company's Financial Performance directly. In general, Working Capital Turnover describes how efficiently a company uses its current assets in generating sales. However, in practice, the relationship is not always linear. Companies with a high Working Capital Turnover do not necessarily obtain better profitability, as working capital efficiency is only one of the many factors that affect Financial Performance. Financial performance can be influenced by various other factors such as business strategy, cost effectiveness, product innovation, and even macroeconomic conditions. In the context of the company that is the object of this research, it is likely that these factors have a greater role than the efficiency of using working capital. Additionally, some companies may choose to retain a large amount of working capital to maintain liquidity and avoid operational risks. Although this strategy causes a low Working Capital Turnover, it is done for stability, not solely for the pursuit of short-term financial efficiency.

Thus, it can be concluded that Working Capital Turnover is not the main factor influencing Financial Performance in the context of this study, and its implications are more strategic or long-term than directly affecting short-term profitability. The results of this study are in line with previous research conducted by Mikrad et al., (2019), Ariansya and Isynuwardhana (2020), Basri et al., (2023) stated that Working Capital Turnover has no effect on Financial Performance.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

Conclusions

This study found that Receivables Turnover has a significant positive influence on Financial Performance (ROA). This shows that the higher the Receivables Turnover, the higher the ROA, assuming that other variables remain constant. Inventory Turnover has no significant influence on Financial Performance. Working Capital Turnover does not have a significant influence on Financial Performance. Overall, the independent variables (Receivables Turnover, Inventory Turnover, and Working Capital Turnover) together did not have a significant influence on ROA.

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