

The Influence of Inventory Turnover, Receivables, and Payables on Business Profits in the 4 Largest Tayyiban Halal Food Companies (Cr4) After Covid-19 in Indonesia

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ABSTRACT:

Objective analysis of inventory, debt turnover, and, debt turnover on company profits. It is also closely related to the size of the working capital credit facilities that the bank will provide. The research object is the influence of Inventory Turnover, Accounts Receivable Turnover, and, Payable Turnover on Food Profit Margin and Eating Low Full Halal Toyyban CR4 Indonesia. The research results show that the coefficient of determination (adj.R2) is 72%. This means that the attachment variable, namely 72% of profits, can be explained by three independent variables, while the remaining 28% is explained by other variables that were not studied. The research results show that inventory turnover, billing turnover, and, debt significantly affect CR4 profits with the regression being $Y = 2.112659 + 0.423621 + 0.702923 - 0.240982 + e$

Keywords: Inventory Turnover, Receivables Turnover, Payables Turnover and Profit

I. INTRODUCTION

COVID-19 or SARS-CoV-2 produces economic and social impacts as well as all world things and what happens to us will not restore everything (Rubí Marina Jiménez Echavarría et al 2023). KONTAN.CO.ID - JAKARTA. The condition of the coronavirus or COVID-19 pandemic has forced industry players to revise the targets they had set for 2022. The Indonesian Food and Beverage Entrepreneurs Association (Gapmmi) had projected growth in the range of 8% -9% in 2022. "If GDP is projected to be minus 0.4% to 2.3%, then food and beverage growth is predicted to only be at the level of 4% -5%."

The Indonesian government urges the use and consumption of domestic products to increase domestic productivity and save foreign exchange. Indonesia as a country with the largest Muslim population in the world has a comparative advantage of extraordinary opportunities to produce and export food and beverages with good export quality and halal. Imported products are now starting to flood our homeland with various types of attractive packaging. People need to be careful in choosing these products, there could be something hidden behind these food products that are not suitable for consumption by Muslims Interviews were used in identifying the halal/halal and tayyib/tayyib issues, and control points along with storage, which is frequently interrelated (Emi Normalina Omar et al,2013). HalalanToyyiban Issues along the Supply Chain (Riaz, 2004) the Hazard Analysis Critical Control Point (HACCP) is an application of halal tayyib principles along the supply chain from the source of supply to the customers, which adheres to the halal tayyib concept stipulated under Islamic law. The halal products should not be mixed with other nonhalal products during the supply chain process to sustain the products' halal status. Throughout these activities, various circumstances could expose the food product to risks that would affect the status of the halal tayyib of a product.

Fatwa of the Indonesian Ulema Council (MUI) Number 26 of 2013 concerning Halal Product Standards and Their Use. All articles apply to consumers and producers. Food and drinks that are halal, good, and nutritious are useful for us, for our physical and spiritual needs. Muhammad CholilNafis (2019) MUI issues Halal certificates to guarantee the nation's access to halal food, drinks,

and ingredients according to Islamic law. The halal certification process in Indonesia is not yet optimal because politics is not yet integrated and facilities and infrastructure are inadequate

PT CDMI Consulting 2022 research shows that the ranking of 4 large food companies that are well known to the public in Indonesia are: PT Indofood SuksesMakmur, PT Mayora Indah, PT Ultrajaya Milk Industry, and PT. Nippon Indosari (all have gone public) is also the source of secondary data for the four companies for 2012-2022 obtained from the Jakarta Stock Exchange.

To maximize company profits, financial managers need to know the factors within a company that influence the company's ability to earn profits. With good financial conditions, the company's operational activities can run well and smoothly. One way is to know the turnover: Inventory, Receivables, and Payables against the Profit Margin, where the faster the turnover, the profit level will increase. In practice in the field, Inventory Turnover, Receivables, and, Payables are important instruments for banks in providing Working Capital Credit facilities.

II. LITERATURE REVIEW

Conditions in any business operation can change from day to day and in this dynamic situation, financial ratios will inform management of the most important issues that require immediate attention. (Ciaran Walsh, 2004:4) Asset that the main objective of accounts receivable is to achieve an optimal balance between cash flow management components. Cash flow management is the process of planning and controlling cash flow both into and out of a business, that is, cash flows within the business and cash balances held by a business at a point in time (Gill, 2011). Efficient accounts receivable management affords a firm to improve its profitability by reducing the transaction costs of raising funds in case of a liquidity crisis (Ahmet, 2012). Accounts receivable as a component of cash flow have a direct effect on the profitability of a business. Cash flow management refers to the management of the movement of funds into and out of a business and involves the management of accounts payable, accounts receivables, inventory as well as the cash flow planning (Joshi, 2015). However, companies with too few current assets can experience deficiencies and difficulties in maintaining smooth operations (Van Horne and Wachowicz, 2009: 308).

Inventory Turnover (X1)

Inventory turnover (ITO) varies widely across retailers and over time Inventory, sale, and, profit has a significant relationship among them and the product inventory structure shows some relationship with profit and sales, Bernard and Noel (1991). Inventory management includes planning, coordinating, and controlling activities related to the flow of inventory into, through and, out of an organization (Horngren et al, 2000, 725). In recent years, many studies in operations management have tried to look at firm performance by analyzing firm-level data of inventory and other financial data. Event-based studies were the earliest studies on the effect of operational decisions on the performance of firms using public financial data (Hendricks and Singhal, 1996).

Retail inventory is an important indicator for manufacturers, owners and suppliers. In order for efficient inventory to be available according to the needs of product sellers to customers, excessive inventory or slow movement also adds additional costs. For shareholders and suppliers, this is an indication of decreasing company income (Junaid Ali Khan, 2019). Inventory turnover varies greatly between retailers and over time, empirically adjusting inventory turnover to changes in gross margin, capital intensity, and sales, can be applied in performance analysis and managerial decision-making (V Gaur, ML Fisher, A Raman, 2005).

According to (Kasmir, 2015:41) inventory is the number of goods stored by a company in one place (warehouse). Inventory is a company's reserves for the production or sales process when needed. The inventory turnover ratio shows how fast inventory turns over in a normal productive cycle. The faster the turnaround, the better because it is considered that sales activities run quickly (Harahap, 2013: 308).

Receivables Turnover (X2)

Receivables Turnover (ARTO) is the number of times a year a business collects its accounts receivable on average. This ratio is useful in determining the appropriate amount of working capital credit facilities for the company in question and collecting funds from the correct bills. A higher turnover ratio means a more careful or strict credit policy and an aggressive collection department, as well as a higher number of high-quality customers. A low turnover ratio indicates the opportunity to collect receivables slowly and for a long time resulting in an increase in the amount of working capital provided by the bank which is actually unnecessary (Steven Bragg, 2019)

Accounts receivable management is a dynamic financial management process and its effectiveness is directly correlated with a firm's ability to realize its mission, goals, and objectives (Rahman, 2006). The accounts receivable turnover ratio is an accounting measure used to quantify a company's effectiveness in collecting its receivables or money owed by clients. The ratio shows how well a company uses and manages the credit it extends to customers and how quickly that short-term debt is collected or paid. The receivables turnover ratio is also called the accounts receivable turnover ratio (Chris B. Murphy, 2020).

To calculate receivables turnover, add together beginning and ending accounts receivable to arrive at the average accounts receivable for the measurement period, and divide into the net credit sales for the year (Steven Bragg, 2019)

According to Raharjaputra (2009; 204) Receivables turnover is used to estimate how many times in a certain period, the amount of cash inflow to the company obtained from trade receivables, the faster trade receivables or bills come in, the better the company will make a profit."

Harahap (2010:308) states "The receivables turnover ratio shows how quickly receivables are collected. The greater the receivables turnover, the better because receivables are collected quickly."

Debt Turnover (X3)

Account Payable Turnover (ARTO) turnover ratio is an accounting liquidity metric that evaluates how quickly a company pays off its creditors (suppliers). The ratio shows how many times in a given period (typically 1 year) a company pays its average accounts payable. An accounts payable turnover ratio measures the number of times a company pays its suppliers during a specific accounting period. Accounts payable turnover trends can help a company assess its cash situation. Just as accounts receivable ratios can be used to judge a company's incoming cash situation, this figure can demonstrate how a business handles its outgoing payments. (Chris B Murphy, 2019)

Accounts payable turnover trends can help a company assess its cash situation. Just as accounts receivable ratios can be used to judge a company's incoming cash situation, this figure can demonstrate how a business handles its outgoing payments. (Tony Abuli, 2012)

The trade payables turnover ratio is a ratio that reflects the speed at which trade debts are repaid by the company to suppliers. The smaller the business debt turnover ratio, the better, because it

means that it takes longer for the company to pay off business debts, so the funds can be used for other, more productive activities.

The Company's Accounts Payable Turnover Period will not be free from debt. A company's ability to pay debts can be seen from how long it takes the company to fulfill its short-term obligations.

Profit Margins

Brigham and Houston (2006) state that sales must be able to cover costs so that they can increase profits, so companies can determine the steps they will take to anticipate possible increases or decreases in sales in the coming year. If sales are increased, then assets must also be increased, while on the other hand, if the company knows with certainty its sales demand in the future, the results of its accounts receivable, and its product schedule, the company will measure the level of management effectiveness as indicated by the profits generated from sales and from investment income, can be done by knowing how big the profitability ratio is (Weston and Brigham, 1991:64). By knowing its profitability ratio, the company can monitor the company's development from time to time.

Rajan and Zingales (2001) in HadriKusuma (2005:85) state that according to critical theory, the larger the company scale, the profitability will also increase, but at a certain point or amount the company size will ultimately reduce the company's profits. Critical theory emphasizes control by company owners over company resources such as assets, technology, and intellectual property as factors that determine company size

This ratio calculates the extent of the company's ability to generate net profits at a certain level of sales. This ratio can be seen directly in the common size analysis for the income statement (last line). This ratio can also be interpreted as the company's ability to reduce costs (a measure of efficiency) in the company in a certain period (Hanafi and Halim, 2000: 84).

This ratio shows what percentage of net income is obtained from each sale. The larger the ratio, the better, because it is considered that the company's ability to earn profits is quite high (Harahap, 2002:304).

III. RESEARCH METHOD

The current situation is that many companies are competing fiercely with each other, so this has triggered companies to be able to determine and implement effective strategies so that their goal can achieve maximum business

profits. Company internals include cash flow, inventory turnover, accounts receivable turnover, accounts payable and, other operational costs. A very important factor in increasing profits and the scope of this research focuses on the influence of inventory turnover, receivables turnover, and, payables turnover on company profits. Regarding Working Capital Credit facilities from Banking, the slower inventory turnover, receivables and, payables will increase the number of bank credit facilities, of course this will increase interest costs which can reduce company profits

Techniques used in analyzing Panel data. Then it is tested using statistical tests to see the suitability of the data and model so that convincing conclusions can be obtained through hypothesis testing. The hypothesis that will be tested in this research relates to whether or not there is a significant influence of the independent variables (inventory turnover, accounts receivable turnover, and, accounts payable turnover) on the dependent variable profit (Profit Margin) using multiple linear regression analysis (ordinary least squares/OLS) which is programmed by Eviews. The basic form of the equation model is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y = Profit Margin

α = Constant

X_1 = Inventory Turnover

X_2 = Accounts Receivable Turnover

X_3 = Accounts Payable Turnover

$\beta_1, \beta_2, \beta_3$ = Coefficients for X_1, X_2, X_3

e = Residual error (nuisance or residual factor)

Analysis of structural relationships and other factors that influence performance can be analyzed using the OLS method, and/or Best Linear Unbias Estimation (BLU) which is usually carried out using classical tests and model feasibility tests with a minimum correlation of 50%. This is done because the use of the OLS and BLU methods is considered most appropriate for describing the relationship between variables and its use is also easier than other methods in describing regression results.

1. Research Data Test Results

Classic Test

a. Data normality

Table - 1
ITO, ARTO, APTO and, Profit Margin Normality Test

Information	Jarque-Bera	P>0,05	χ^2 (chi square) B.P Godfrey	$p\chi^2 > pJB$
ITO	3.400022	0.182682	0,2273	Normal
ARTO	0.659896	0.718961	0,2273	Normal
APTO	0.822192	0.662923	0,2273	Normal
PM	0.601227	0.740364		

ITO, ARTO, APTO, and Profit Margin for the four probability variables are $0.2273 > 0.05$ and $\chi^2 > pJB$. It can be concluded that the three residual variables have a normal distribution and will then be analyzed based on the normal distribution.

b. Autocorrelation Test

The Autocorrelation Test produced by Durbin Watson (DW) was 1.605122 and between $0.758 > 1.605122 < 1.604$, it could be said that there was no autocorrelation problem.

c. Heteroscedastic Test

The heterosexuality of the Breush Pagan Godfrey Test model χ^2 (chi-square) 0.2273 is greater than 0.05, meaning there is no heteroscedastic problem.

d. Multi-tolerance test

Variance Inflating Factor (VIF) Centered VIF variables ITO = 1.58186, ARTO = 1.34727, APTO = 3.16004, and, PM = 2.48453 are all brought to 10, then these two variables are said to have no multicollinearity problems (Gujarati 2013, p. 432)

2. Regression Test

t-test and F-test

Table 2
The Influence of ITO, ARTO, APTO on PM CR4 Indonesian Halal Eating Industry 2012-2022

Dependent Variable: Y
Method: Panel Least Squares
Date: 09/14/23 Time: 16:06
Sample: 2012 2022
Periods included: 11
Cross-sections included: 4
Total panel (unbalanced) observations: 43

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.112659	1.172772	1.801423	0.0794
ITO	0.423621	0.109611	3.864778	0.0004
ARTO	0.702923	0.161364	4.356129	0.0001
APTO	-0.240982	0.102699	-2.346482	0.0241
R-squared	0.742722	Mean dependent var		12.25460
Adjusted R-squared	0.722931	S.D. dependent var		4.293039
S.E. of regression	2.259742	Akaike info criterion		4.556787
Sum squared resid	199.1510	Schwarz criterion		4.720619
Log-likelihood	-93.97091	Hannan-Quinn criter.		4.617203
F-statistic	37.52891	Durbin-Watson stat		1.605122
Prob(F-statistic)	0.000000			

Partially ITO against PM count (3,864)<ttable(1.96); ARTO against PM count (4.356129)>ttable(1.96); APTO against PM (-2.346482)>ttable(1.96) it can be concluded that the variables ITO, ARTO, APTO have partial probability <0.05 and count is greater than table means that the three variables partially have a significant effect on Profit Margin.

The influence of ITO, ARTO, and APTO simultaneously has a significant and positive effect on PM. The F probability test result of 0.000 is less than <0.05. R 0.742722 and Adjusted R-squared 72%. The variables ITO, ARTO, and APTO together have an influence of 72% on PCM, the remaining 28% is due to other variables. Because R is above 50%, it can be concluded that the model is feasible and significant to use as a multiple regression prediction tool.

Multiple regression

$$PM = \beta_0 + \beta_1 ITO + \beta_2 ARTO + \beta_3 APTO + \epsilon_i$$

Where:

$$PM = 2.112659 + 0.423621 ITO + 0.702923 ARTO - 0.240982 APTO + e$$

$$\text{Constant (a)} = 2.112659$$

$$ITO = 0.423621$$

$$ARTO = 0.702923$$

$$APTO = -0.240982$$

The multiple regression equation can be described as follows:

1). If there are no additions to the variables ITO, ARTO and APTO (equal to 0), then Total PM = 2.112659%

2). If ITO rises by 1 then PM will rise, 0423621

3). If ARTYO rises by 1 then PM rises by 0.7022923

4) If APTO increases by 1, PM will decrease by 0.240982

IV. RESULTS AND ANALYSIS

Conclusion

Based on the results of research and discussions that have been conducted, the conclusion that:

1. Inventory turnover has a significant effect on the company's profit because it has a probability value of 0.0004 below the error level (alpha) of 0.05 or 3.864>ttable 1.96, Inventory turnover has a significant effect on the company's profit

2. Accounts receivable turnover has a significant effect on the company's profit because it has a probability value of 0.0001 below the error level (alpha) of 0.05 or 4.356>ttable 1.96. Accounts receivable turnover has a significant effect on company profits.

3. Trade debt has a (-) significant effect on company profits because it has a probability value of 0.0241 or tcount-2.346>ttable 1.96. Trade debt turnover has a significant effect on business profits.

4. The magnitude of the influence of the three variables (ITO, ARTO, and APTO) in simulation is significant 72%, and the remaining 28% is influenced by other factors that are not included in the model.
5. Linear regression $PM = 2.112659 + 0.423621 + 0.702923 - 0.240982e$

Advice

1. Pay more attention to inventory turnover so that the production cycle can always run normally, because the greater the inventory turnover, the sales activities can be said to run quickly.
2. Pay more attention to the turnover of receivables because the larger the turnover of receivables, the more it shows that the receivables collection process can be done quickly.
3. Paying more attention to the turnover of trade debts from year to year can increase the company's profit.
4. Pay more attention to the three variables above because those three variables can affect the profit we will achieve.
5. Further researchers are expected to use or add other variables that have not been included in this research, in addition to inventory turnover variables, accounts receivable turnover and

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