The Effect Of Cash Ratio And Receivable Turnover On Net Profit Margin

Study on Industry of Consumer Goods Companies that're listed on the ISX at the term of 2016-2018

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Abstact---*This research aims to make sure the effect of cash ratio & receivable turnover on net profit margins. This research is motivated by an increase in the efficiency and effectiveness of the corporate in running the company. To measure the efficiency of corporate activities, one of them is the ability to obtain profits that are measured using profitability ratios. Net profit margin is used to calculate the capacity of a corporate with all reserves put money into in assets used for the corporate's operations to gain revenue. Cash ratio's calculates a corporate's capacity to pay short-term debt. Receivable turnover provides an understanding of the company's quality and the company's success in collecting these receivables. The population of this research're corporates in the sector of industry of consumer goods listed on the ISX for the period of 2016-2018, namely 52 companies. The sampling technique uses purposive sampling so that there are 35 companies that meet the criteria. The outcomes of the research stated about partially the cash ratio affected the net profit margin, receivable turnover affected the net profit margin, and simultaneously the cash ratio and receivable turnover affected the net profit margin.*

Keyword---*cash ratio, receivable turnover, net profit margin.*

I. Background

Financial statements are a very important tool for obtaining information in connection with the financial position and the results achieved by the company or the company's performance results. One that is often used to measure the level of financial performance is the analysis of financial ratios. Analysis of Financial ratio's an instrument of analysis of corporate performance that explains various relationships and financial indicators, which are intended to describe changes in financial conditions or describe the achievements of companies that indicate the risks and opportunities that exist in the company. The several types of financial ratios that can show the company's financial performance include ratio of liquidity, ratio of leverage, ratio of activity and ratio of profitability. (Pasiakan, Alexander, and Pangerapan, 2018)

In a distributor company the effectiveness and efficiency in carrying out company operations is very important. Efficiency in marketing strategies is done with the right calculation and consideration so that there's no cost waste. To measure the efficiency of a activities of corporate ability to make profits can be measured using profitability ratios, one of which is the ratio of net profit margin, which's a ratio describes the capacity to get revenue by all existing and capabilities sources like sales, capital, cash, costs and so on. (Novia Widya Utami, 2018)

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In the normal course of a company's sales activities it often causes accounts receivable. Receivables represent company claims against buyers who have received goods or services while the goods or services have not been paid for. In the trade business receivables are the most important element in the continuity of a business, because one of the benefits is to finance the company's operations. Accounts receivable become a very important component in the company and therefore it is necessary to manage receivables effectively and efficiently so that the company's profitability is obtained even more. In addition there is a system of credit analysis and control of receivables by managers and internal users of financial statements that can calculate the capability of the corporate with the overall investments and capital fund in the corporate's operating assets at gain revenues or large profits for the company. Management of receivables in a company involves the circulation of receivables. More high the accounts receivable movement, the more profitability of the corporate increases because of the smaller amount of uncollectible receivables. One asset turnover is trade receivables. Thereby receivable turnover must get special attention and measure it using receivable turn over ratio, where this ratio is to measure the level of accounts receivable turnover by dividing the value of credit sales against average receivables. (munawir, 2014)

Research conducted by Aditya Fajar Pradana, Muhammad Saifi, Dwiatmanto Dwiatmanto, 2018 entitled "Analysis of effective working capital management to increase corporate profitability (study on PT. Tiga Pilar Sejahtera Food, Tbk listing on the Indonesia Stock Exchange in 2014-2016)" have conclusions based on liquidity ratios and activity ratios, working capital in the corporate PT. Tiga Pilar Sejahtera Food Tbk didn't run expeditiously. This is indicated by the turnover of cash and turnover of accounts receivable which still under the accepted standards. Accounts receivable turnover rate of PT. Three Pillars of Prosperous Food Tbk in the past three years has fluctuated with a tendency to decrease in 2016 which is considered quite drastic. This is caused by inefficiency which is seen from the level of accounts receivable turnover in 2016 only 3 times so it implies that working capital embedded in receivables is getting higher and is still below the standard of debt collection policy set by PT Tiga Pilar Sejahtera Tbk.

II. Formulation of the problem

From the previous explanation, the nuisances in this research can be conceived as follows :

1. Does the Cash Ratio affect the Net Profit Margin in the Industry Companies of Consumer Goods that are listed on the ISX (BEI) at the period of 2016-2018.
2. Does Receivable Turnover affect the Net Profit Margin in the Industry Companies of Consumer Goods that are listed on the ISX (BEI) at the period of 2016-2018.
3. Does Cash Ratio, Receivable Turnover affect the Net Profit Margin in the Industry Companies of Consumer Goods that are listed on the ISX (BEI) at the period of 2016-2018.

III. Theory

Financial Statement

For every investor it is very important to know various information about existing companies. This is because this information is very useful for an investor in carrying out his investment decisions. Through this information will provide an overview of a company and for investors to predict the prospects of these companies in the future. The information referred to and often used in general is financial statements. Financial reports are available for market participants and have been published publicly.

A financial report will be more useful for decision making, if with this information it can be predicted what will happen in the future, so this is where the financial statements are needed.

Statements of financials Use

The determine of statements of financial is to measure the results of operations and development of the company from time to time and to find out how far the company has achieved its objectives (Irham, 2011:04).

According to Martono and Harjito (2003: 52) said that there are seven uses of financial statements: (1) Making investment decisions, (2) Decision to give credit, (3) Evaluation of cash flow, (4) Evaluation of economic sources, (5) Conduct claims against sources of funds, (6) Analyze changes that occur against sources of funds, (7) Analyze the use of funds.

Analysis of financial statements

Analysis of financial statements is very necessary to know the state of a company before the financial manager takes a financial decision. Statements of Financials are one of the most principal sources of information for users of financial statements because the financial statements are a prediction tool that is able to predict what will happen in the future about the state of a company which is certainly done by analyzing the financial statements first.

Analysis of financial statements can be done by processing financial statements further through several processes, namely the comparison process, the evaluation process, and the trend analysis process that will later provide results in the form of predictions about what might happen in the future.

Liquidity Ratio

In carrying out its business, the company must be in a liquid state. Companies can be liquid if they are able to pay their obligations. To find out liquidity or liquidity, a company can do an analysis of liquidity ratios, here are some opinions about liquidity ratios according to experts. Liquidity ratio's the capability of a corporate to match its short-term obligations in a timely manner (Irham, 2011: 121). Liquidity is an indicator of a corporate's capability to give or pay off its obligation of financials when due by using available current assets (Martono and Harjito, 2003: 55).

Cash ratio

Cash ratio or cash ratio is a tool used to measure how much cash is available to pay short-term debt (Kasmir, 2012: 138). Ratio of Cash is a ratio that calculates a corporate's capability to pay its debts immediately must be met with cash available in the company and securities that can be immediately cashed (Susan, 2005: 36).

Activity Ratio

By measuring the company's ratio of activity, it can be seen how much the corporate's activities in deploying its funding sources. The more effective in utilizing funds, the faster the velocity of funds. The following is the definition of activity ratio according to experts. Ratio of Activity is a ratio that calculates the effectiveness of a corporates's management at managing its assets, thus analyzes the relationship between the income statement, especially sales with elements in the statement of financial positions, especially the assets's element (Martono and Harjito, 2003: 56). Ratio of Activity are used to calculate how effectively a corporate manages its assets (Brigham Houston, 2010: 136).

Receivable turn over ratio

This turnover has an effect on the size of the capital embedded in accounts receivable. The higher the circulation of accounts receivable means that the capital embedded in investments is smaller, because the funds embedded in receivables get faster returns (Martono and Harjito, 2014: 102).

This ratio provides an understanding of the quality of corporate receivables and the company's success in collecting these receivables, the faster the receivables turnover, the more effective the company manages its receivables (Susan Irawati, 2005: 54).

Profitability Ratio

In business activities, every company must have its main goal to be profit-oriented. To make a profit the company must be able to sell an item higher than its production costs. Therefore, every company will always make a plan in determining the benefits to be gained in the future. But the planning of the benefits to be gained is only forecasting, there can be changes based on situations and conditions that will occur in the future different from those planned.

One tool to analyze the corporate's ability to gain revenues is usually done is the profitability ratio. Through the existence of profitability ratios it will provide a corporate's capability to generate profits for a certain period and through that information a company can estimate earnings in the future. The ratio that links the profits from sales and investment. Profitability ratios consist of two types of ratios that show profitability in relation to sales and ratios that show profitability in relation to investment (James and Wachowicz, 2005: 222). The ratio used to calculate the use corporate assets of the efficiency or the capability of a corporate to gain revenues for a confirmed period (Susan, 2005: 58).

Net profit margin (NPM)

NPM is a calculate of revenue by collating the revenue after interest and tax compared to trades. This calculate shows the corporate's net income compared to trades. This is because the company is able to convert its sales into net profit by managing its operating costs efficiently. High profit margins are preferred because they show that the company gets good results that exceed the cost of goods sold (Susan Irawati, 2005: 57).

Framework

In this study discusses the variables that affect profitability. Net profit margin’s one of ratio of profitability that’s intended to calculate the capability of a corporate with the all resources invested at the assets used for the corporate’s operations to gain revenues. The importance of knowing the variables that affect profitability (net profit margin) provides many benefits, both for internal parties, namely company management in managing their business ventures and for external parties, namely investors who invest their shares as capital. Based on the limitations of previous studies that have shown different results, this study will examine several factors that affect net profit margins with the independent variable in the form of cash ratio and receivable turn over.

IV. Research Methods

Types of research

This study is included with quantitative study. Quantitative study is study that primarily uses postpositivist paradigms in growing discipline (such as contemplating about effect and cause, specific questions and hypotheses, using testing theory, observation, and measurement), using strategies of research such as surveys and experiments that require data of statistical (Emzir , 2013: 28).

Population and Sample

Population is a whole of elements that have one or several characteristics or characteristics in common. Sekaran (2006: 121) says that the population refers to the whole group of people, events, or matters of interest that investigators want to investigate. The population at this research were corporates in the industry of consumer goods listed on the ISX at the 2016-2018 period, amounting to 52 companies.

The sample is a portion of the population consisting of a number of members selected from the population. Determination of the sample at this research’s done by sampling of purposive that means the population to be sampled as research is a population that meets certain sample criteria as desired by the researcher. Determination of the sample from the population must be done carefully, so that the sample used is truly an appropriate source of information in accordance with the nature and characteristics of the population. A good sample is a sample that has a low level of deviation (bias) to the uncertainty and if there is an error (error) does not affect all members of the sample (Sekaran, 2006: 127).

From 52 corporates in the industry of consumer goods that're listed on the ISX in the period 2016-2018, there were 35 companies selected to become research samples based on purposive sampling techniques.

Analysis of Multiple Linear Regression

Analysis of Multiple linear regression's a technique of statistical used to test the effect of two or more variables of independent to the variable of dependent. Analysis of Regression in addition to calculating the effect amid two or more variables, and be in view the way of the connection between the variable of dependent and the variable of independent (Imam Ghozali and Ratmono, 2013: 96).

$$Y = \alpha + \beta1 . X1 + \beta2 . X2 + \beta3 . X3 + e$$

Explanation :

Y = *Net Profit Margin*

α = Constanta

β1 , β2 , β3 = Regression of Coefisient variable Independen

X1 = *Rati of Cash* (CR)

X2 = *Receivable Turnover* (RTO)

X3 = *Total Asset Turnover* (TATO)

e = Error

Hypotesis Test

Test of Partial (T-test)

Test of Partial is used to examine the impact of each variable of independent on the variable of dependent. Partial hypothesis testing in accordance with the framework set forth in the conceptual model of the study, namely each independent variable assessed its effect on the dependent variable (Acep Edison, 2016: 99)

Proving theoretical hypotheses using statistical hypotheses with the following conditions :

1. Testing is done by setting a significant level of 95% or = error of 5% (0.05). If a significant value greater than 0.05 exceeds the error value, then testing cannot be done
2. Testing is done by determining a significant level of 95% or an error of 5% (0.05). If the significant value is less than 0.05 less than the error value, then testing can be done

Test of Simultaneous (F-test)

The test of F conceptually displays whether all variables of independent or variables of independent entered in the model've a influence of joint on the variable of dependent. In this test also uses a significance level of 5% or 0.05.

V. Results And Discussion

Ratio of Cash in industry companies of consumer goods sector listed on the ISX in 2016 -2018

Ratio of Cash is a ratio that calculates a company's capability to pay its obligation immediately must be met with cash available in the company and securities that can be immediately cashed (Susan Irawati, 2005: 36). The ratio's used to calculate the corporate's capability to conduct business activities in order to pay off its financial obligations.

5.1: Descriptive statistics of *cash ratio*

Years	Sample	Mean	Maximum	Minimum
2016	35	3.6338	75.4801	0.00817057
2017	35	3.4666	62.1203	0.00238149
2018	35	2.1948	35.0645	0.00810340

Source : Financial statements processed, www.idx.co.id

Table 5.2 shows that the average cash ratio of corporates in the industry of consumer goods on the ISX in 2016-2018 was 3.10. The lowest cash ratio value of 0.00238149 is owned by Pyridam Farma Tbk. in the year 2017. The highest cash ratio value of 75.4801 is owned by Sekar Laut Tbk. in 2016.

Ratio of Receivable Turnover in corporates in the industry of consumer goods that is on the ISX in 2016-2018

Receivable Turnover is the period of capital bound in receivables which depends on payment terms. The longer the terms of payment of receivables, means the level of turnover during a certain period is lower (Susan Irawati, 2005: 54).

5.2: Descriptive statistics of *receivable turnover*

Years	Sample	Mean	Maximum	Minimum
2016	35	5.99147	26.5394	0.107947056
2017	35	5.76496	25.9966	0.108115357
2018	35	5.70412	27.4081	0.096548624

Sumber : Financial statements processed, www.idx.co.id

Table 5.4 shows that the average receivable turnover of corporates in the industry of consumer goods listed on the ISX is 5.85. The lowest receivable turnover value of 0.096548624 is owned by Martina Berto Tbk. in 2018. The highest receivable turnover value of 27.4081 is owned by Gudang Garam Tbk. in 2018.

Net Profit Margin in industry of consumer goods companies that are listed on the ISX in 2016-2018

Net profit margin measures the profit margins and industry norms of a company in previous years. High profit margins are preferred because they show that the company gets good results that exceed the cost of goods sold (Susan Irawati, 2005: 57).

Tabel 5.3: Descriptive statistics of *net profit margin*

Years	Sample	Mean	Maximum	Minimum
2016	35	10.6413	39.7143	(9.643001094)
2017	35	10.7031	39.7391	(42.20248592)
2018	35	11.4947	68.6975	(51.71881406)

Sumber : Financial statements processed, www.idx.co.id

Table 5.8 shows that the average net profit margin of the industry of consumer goods listed on the ISX is 10.95. The lowest net profit margin value (51.71881406) is owned by Bentoel Internasional Investama Tbk. in 2018. The highest net profit margin value of 68.6975 is owned by Bumi Teknokultura Unggul Tbk. in 2018.

VI. Discussion of Research Results

Effect of Cash Ratio on Net Profit Margin

Table 5.4: T-tes Result Variable Cash Ratio

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1478.959	1	1478.959	6.122	.015[b]
	Residual	24883.203	103	241.584		
	Total	26362.162	104			

a. Dependent Variable: NPM

b. Predictors: (Constant), CR

Based at the outcomes of the above research, the significance value of 0.015 is smaller than 0.05. This does mean that the ratio of cash variable's an effect of significant to net profit margins in the industry of consumer goods companies listed on the ISX at the 2016-2018 period. If the cash ratio increases, the net profit margin in the consumer goods will rise, because the influence is directly or positively proportional. This ratio calculates the capability of corporates to pay their debts immediately must be met with cash available in the company and securities that can be immediately cashed. The higher cash ratio means the market / prospective investor will increasingly trust the prospects of the company.

The results of the study are consistent with the theory that this ratio's had use to calculate a corporate's capability to meet its short-term duty. This ratio collates the short-term obligations with the short-term (or current) resources convenient to meet these liabilities (James and Wachowicz, 2005: 2060). If the corporate can actualize all of its liabilities, this means the corporates is in a liquid state. A good financial condition will affect the profits obtained by the company will be high.

Effect of *Receivable Turnover* on *Net Profit Margin*

Table 5.4: T-tes Result Variable Receivable Turnover

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2222.089	1	2222.089	9.481	.003[b]
	Residual	24140.074	103	234.370		
	Total	26362.162	104			

a. Dependent Variable: NPM

b. Predictors: (Constant), RTO

Based on the outcomes of this research the significance of the results obtained by 0.003 smaller than 0.05. Then these results state that the turnover of receivable variable has an effect of significant on the net profit margin in the industry of consumer goods companies listed on the ISX for the period of 2016-2018. If receivable turnover is increasing, the net profit margin in consumer goods sector companies will increase, because the influence is directly proportional or positive.

This ratio provides an understanding of the value of the corporates's receivables and the success of the corporate in collecting these receivables, the faster the receivables turnover, the more effectively the company manages its receivables.

The results of the study are consistent with the theory that this ratio provides an understanding of the value of the corporate's receivables and the corporate 's success in collecting these receivables, the faster the receivables turnover, the more effectively the company manages its receivables (Susan Irawati, 2005: 54). With high accounts receivable turnover, there will be less capital invested in receivables, this capital can be used in activities that can generate profits so as to maximize profitability (Net Profit Margin).

The Effect of Cash Ratio and Receivable Turnover on Net Profit Margin

F test is a simultaneous regression relationship test that aims to examine whether all variable of independents together have an influence of significant on the variable of dependent (Ghazali and Ratmono, 2013: 62).

Table 5.4: F-test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3897.421	2	1948.710	8.848	.000[b]
	Residual	22464.742	102	220.243		
	Total	26362.162	104			

a. Dependent Variable: NPM

b. Predictors: (Constant), RTO, CR

From the results of hypothesis of simultaneous testing in table 5.4 shows the significance value of the regression model simultaneously at 0.000, more small than the rate of significance of 5% which means 0,000 <0.05. it can be concluded that accepting the hypothesis that the variable cash ratio and receivable turnover affect the net profit margin.

VII. Conclusion

The research aims to see how the impact of cash ratio and receivable turnover on net profit margins in the industry of consumer goods companies listed on the ISX for the period of 2016-2018. The research conclusions are as follows:

1. Cash ratio affects the level of net profit margin. An increase in cash ratio can increase net profit margins in industry of consumer goods companies which are listed on the ISX in the 2016-2018 period.
2. Receivable turnover affects the level of net profit margin. The receivable turnover value can increase the net profit margin in the consumer goods industry sector companies which are listed on the ISX in the 2016-2018 period
3. Cash ratio and receivable turnover affect the net profit margin, meaning that simultaneously the magnitude of the net profit margin can be influenced by variable cash ratio and receivable turnover.

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