



## EFFECT OF CASH, RECEIVABLES, INVENTORY, CAPITAL AND FIXED ASSETS TURNOVER ON LIQUIDITY

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### Abstract

*This investigation expects to decide the impact of money turnover, receivable turnover, stock turnover, working capital turnover and fixed resources turnover on liquidity in material and article of clothing organizations recorded on the Indonesia Stock Trade in 2016-2019. Liquidity is estimated utilizing the current proportion. The testing method utilizes purposive examining with specific measures and got 17 organizations with 4 years perception. Furthermore, utilized numerous straight relapse. The consequence of this investigation showed that the concurrent trial of money turnover, receivable turnover, stock turnover, working capital turnover, and fixed resources turnover significantly affect towards liquidity. Incompletely singular money turnover has a positive and irrelevant impact, while receivable turnover and fixed resources turnover have a negative and inconsequential impact on liquidity. The variable stock turnover has a positive and critical impact and capital turnover has a negative and huge impact on liquidity in material and piece of clothing organizations recorded on the Indonesia Stock Trade in 2016-2019.*

**Keyword:** Cash Turnover, Receivable Turnover, Inventory Turnover, Working Capital Turnover, and Fixed Asset Turnover

### INTRODUCTION

An organization should have the option to oversee cash appropriately with the goal that it can create benefits for the organization. Great money the board can be seen from the turnover rate. The money turnover rate is a proportion to gauge the organization's capacity to pay momentary commitments with accessible money. An organization that has high liquidity due to the presence of a lot of money implies that the money turnover rate is low and mirrors an overabundance of money. Then again, if the measure of money is generally little, it implies that cash turnover is high so the organization

will or might be in an illiquid state. A high money turnover rate shows the speed of income back from cash that has been put resources into resources [1].

Liquidity issue is quite possibly the main issues in an organization that is hard to address. The effect that will be acquired for the organization if utilizing a liquidity measure is the organization's powerlessness to meet its transient commitments. For the organization, whenever saw from the leaser side, the higher the liquidity, the lower the danger of disappointment. This is on the grounds that the lenders' transient assets acquired by the organization can be ensured by





current resources. Among the different sizes of liquidity, which is utilized in estimating the organization's liquidity are the current proportion. Current proportion shows the capacity of current resources for cover current liabilities claimed by the organization. The more prominent the proportion of current resources for current liabilities, the higher the capacity of an organization to meet its short-term liabilities.

With the expanding innovative improvements as of now, the rivalry between comparative organizations will be much more tight, remembering one of the organizations for the capital market, specifically material and article of clothing organizations. This industry is one of the enterprises that has made due in the midst of the flimsy monetary conditions in Indonesia. The public material and article of clothing industry are at present an assembling area with the biggest work of around 1.36 million individuals. This industry assimilates 7.46% of the complete work in the public assembling area. The Indonesian business world, including the material and article of clothing industry, is at present encountering numerous issues, one of which is the expanding number of imported items, material and piece of clothing buyers in the nearby market are as yet arranged towards cost instead of item quality. Thus, the ingestion of homegrown material items is still low.

The homegrown market is searching for low-valued items instead of value items. This condition was exacerbated by the quick progression of imported items from China chasing the homegrown market. So a few material and article of clothing organizations were accounted for bankrupt since they couldn't contend with imported items from China. In this manner, organizations need the taking care of and the executives of assets just as approaches did by the board appropriately for the endurance of the organization. In completing its operational exercises, each organization will require possible assets, one of which is capital, both working capital like money, records of sales, stock and fixed capital like fixed resources. Capital is the primary issue that will uphold the organization's operational exercises to accomplish its objectives.

Money turnover, records of sales turnover and stock turnover are vital for an organization, where these proportions can be utilized to gauge the proficiency of utilizing working capital with the goal that the organization maintains a strategic distance from defaults on its momentary obligation. "Working capital of all transient resources or current resources, cash, tradable protections, supplies and exchange receivables [2].

Accordingly, the higher the money turnover will be better, on the grounds that this implies that the higher of





productivity utilized money and more prominent benefits to meet momentary commitments of an organization. Notwithstanding cash, receivables are likewise used to fund corporate purposes where this emerges as a result of the credit deals. The higher of receivable turnover rate, the quicker the receivables are changed over into cash that will be utilized for organization operational exercises and the danger of loss of records receivable can be limited so the organization will be ordered as a fluid organization. On the off chance that there is a deficiency of stock it can likewise cause misfortunes, wherein stock is the biggest measure of current resources. The higher the stock turnover rate, the more probable the organization will make a benefit, where the quicker the organization makes deals, the quicker the organization will get assets in real money or money or receivables. The size of the current resources will influence the current proportion. The subsidizes got will be utilized to back the organization's present resources so it will show a decent liquidity state of the company[11].

## METHOD

The money turnover proportion is a proportion that serves to gauge the sufficiency of the organization's functioning capital expected to take care of bills and account deals. This implies that this proportion is utilized to gauge the degree of money accessibility to take care

of bills (obligation) and costs identified with deals. The higher money turnover rate implies the more proficient the degree of money use and the lower of the turnover rate more wasteful, due to the more money is halted or not utilized [3].

$$\text{Cash Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

[4]. Receivable turnover is the time of getting receivables from an organization during a specific period. Receivables contained in the organization will consistently be in a pivoting state. Receivable turnover will show how frequently receivables were caused until these receivables were gathered once more into the organization's money. [5] Expressing that cash turnover has no huge impact on liquidity.

$$\text{Receivable Turnover} = \frac{\text{Credit Sales}}{\text{Receivable}}$$

[9] Inventories are the fundamental current resources of most organizations. that stock turnover is a proportion that actions the organization's capacity to oversee stock, where the higher the stock turnover is gotten, the more proficient the organization is in doing its operations[10].

$$\text{Inventory Turnover} = \frac{\text{Cost of Good Sold}}{\text{Inventory}}$$

Capital turnover is a proportion to gauge or evaluate the viability of the organization's functioning capital during a specific period. This implies how much working capital turns during a period or in a period. From the examination results, if a low working capital turnover it implies that the organization is having abundance working capital, this possibly because of low stock turnover or receivable or cash adjusts that are excessively enormous, and if the capital turnover is high, it perhaps





because of high stock turnover, receivable turnover or money balance that is too little [6].

$$\text{Capital Turnover} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

[7] Fixed resources are unmistakable resources that are utilized to complete organization tasks and have a helpful existence of over 1 year and are devalued aside from land. [8] said that the fixed resource turnover proportion shows how the organization utilizes the organization's fixed resources for help the organization's deals.

$$\text{Fixed Asset Turnover} = \frac{\text{Sales}}{\text{Total Fixed Asset}}$$

This examination was led dependent on existing information in the fiscal reports in material and piece of clothing organizations recorded on the Indonesia Stock Trade in the 2016-2019 period by getting to the site [www.idx.co.id](http://www.idx.co.id)[12]. The populace in this investigation comprised of 25 organizations, yet deciding a few

measures that are by the examination goals are ompanies don't distribute monetary reports consistently in 2016-2019 and organizations that create negative benefits. The exploration test comprised of 17 organizations with 68 fiscal summary in material and piece of clothing organizations recorded on the Indonesia Stock Trade in the 2016-2019. This examination utilized a various relapse investigation model[13].

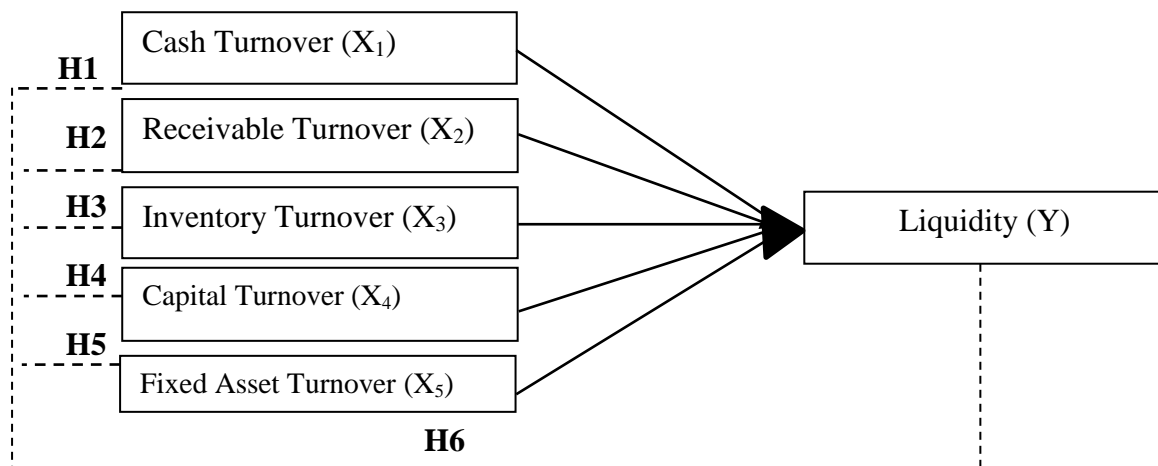


Figure 1. Conceptual Curious

## RESULT AND DISCUS





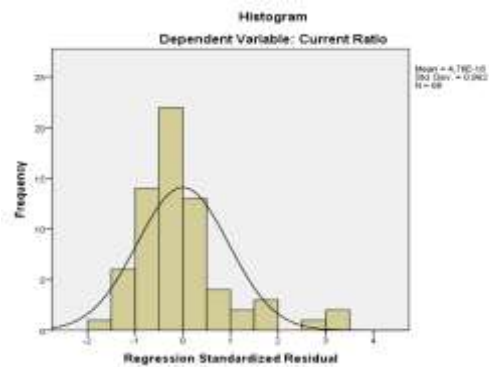
The following shows general statistical data from all research sample data on textile and garment companies in

Indonesia Stock Exchange 2016-2019, as shown in Table.1 below:

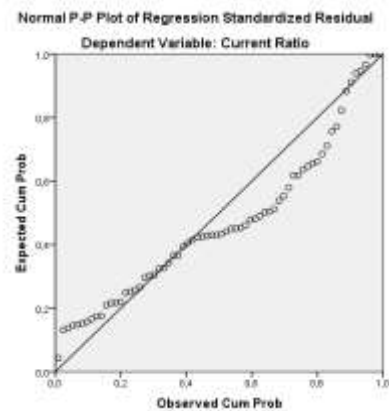
	N	Minimum	Maximum	Mean	Std. Deviation
Cash Turnover	68	-22,26	74,32	49,3415	356,39262
Receivable Turnover	68	,58	60,61	9,1093	9,70764
Inventory Turnover	68	,14	32,02	4,6962	4,65141
Capital Turnover	68	,02	5,21	1,6679	1,19312
Fixed Asset Turnover	68	,02	113,38	5,0456	15,75497
Current Ratio	68	,09	6,45	1,6201	1,37014
Valid N (listwise)	68				

**Table 1. Descriptive Statistics**

Variable money turnover has a base worth of - 22.26 is At any point Sparkle Tbk in 2017 and a most extreme worth of 74.32 is Indo Rama Engineered Tbk in 2019. Variable receivable turnover with a base worth of 0.58 is Star Petrochem Tbk in 2019 and a greatest worth of 60.61 is Pania Indonesia Resources Tbk in 2018. Variable stock turnover with a base worth of 0.14 is At any point Sparkle Tbk in 2019 and a most extreme worth of 32.02 is Star Petrochem Tbk in 2019. Variable capital turnover has a base worth of 0.02 is Nusantara Inti Corpora Tbk in 2018 and a greatest worth of 5.21 is Pania Indonesia Resources Tbk in 2017. Variable fixed resource turnover with a base worth of 0.02 is Pania Indonesia Resources Tbk in 2019 and a most extreme worth of 113.38 is Star Petrochem Tbk in 2019. Variable current proportion with a base worth of 0.09 is Pania Indonesia Resources Tbk in 2019 and a greatest worth of 6.45 is Pania Indonesia Resources Tbk in 2019[13].



**Figure 2. Histogram Graph**



**Figure 3. Normality P-Plot**





		Unstandardized Residual
N		68
Normal Parameters <sup>a, b</sup>	Mean	0E-7
	Std. Deviation	1,17391215
Most Extreme Differences	Absolute	,163
	Positive	,163
	Negative	-,107
Kolmogorov-Smirnov Z		1,348
Asymp. Sig. (2-tailed)		,053

**Table 2. Normality Test with Kolmogorov-Smirnov Test**

Based on Table 2. it can be seen that the asymp value. Sig. (2-tailed) is 0.053 which means the asymp value. Sig. (2-tailed) above a significant value of 5% (0.05), so it can be said that the residual variables are normally distributed and it can be concluded that the regression equation model fulfills the assumption of

normality. Analysis of histogram charts, normal probability plots and Kolmogorov-Smirnov non-parametric statistical tests which all show normal distribution, it can be concluded that the regression equation model fulfills the assumption of normality[14].

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1,900	,277		6,859	,000		
Cash Turnover	,000	,000	-,032	-,296	,769	,982	1,018
Receivable Turnover	-,017	,020	-,121	-,860	,393	,595	1,680
Inventory Turnover	,126	,049	,429	2,578	,012	,428	2,337
Capital Turnover	-,424	,146	-,370	-2,914	,005	,736	1,359
Fixed Asset Turnover	-,001	,014	-,006	-,041	,968	,491	2,036

**Table 3. Multicollinearity Test**

Table 3. shows each Tolerance free variabel value is greater than 0.10 and the VIF value is smaller than 10, so it is

concluded that there is no correlation (relationship) between the free variables in the regression model of the study.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,516 <sup>a</sup>	,266	,207	1,22033	,938

**Table 4. Autocorrelation Test**

Based on Table.4, it shows the results of the autocorrelation test using the Durbin-Watson (D-W) method of 0.938 and when viewed from the DW table with a

significant 0.05 and the amount of data (n) = 68 and k = 5, the dL value is 1.4537. Then the decision D-W, the number of D-W is in the  $0 < 0.938 < 1.4537$  ( $0 < d < dL$ ),







which means that there is no autocorrelation[15].

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,757	,192		3,944	,000
Cash Turnover	,000	,000	-,142	-1,137	,260
Receivable Turnover	-,004	,014	-,046	-,290	,773
Inventory Turnover	,045	,034	,253	1,338	,186
Capital Turnover	-,021	,101	-,030	-,206	,837
Fixed Asset Turnover	-,013	,009	-,240	-1,363	,178

**Table 5. Heteroscedasticity test with Glejser test**

Table.5, show that the significance value of variable cash turnover is  $0.260 > 0.05$ , receivable turnover is  $0.773 > 0.05$ , inventory turnover is  $0.186 > 0.05$ , capital turnover is  $0.837 > 0.05$  and fixed asset

turnover is  $0.178 > 0, 05$ , which means it is not significant, so it can be concluded that the regression model does not contain heteroscedasticity.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1,900	,277		6,859	,000
Cash Turnover	,000	,000	-,032	-,296	,769
Receivable Turnover	-,017	,020	-,121	-,860	,393
Inventory Turnover	,126	,049	,429	2,578	,012
Capital Turnover	-,424	,146	-,370	-2,914	,005
Fixed Asset Turnover	-,001	,014	-,006	-,041	,968

**Tabel 6. The Results of Multiple Regression Analysis**

From Table 6. it is known that the multiple regression analysis research model is as follows:

$$\text{Cash Ratio} = 1,900 + 0,000 \text{ Cash Turnover} - 0,017 \text{ Receivable Turnover} + 0,126 \text{ Inventory Turnover} - 0,424 \text{ Capital Turnover} - 0,001 \text{ Fixed Asset Turnover} + e$$

Cash turnover variable has a t-count of -0.296 and t-table of 1.998, then  $-0.296 < 1.998$  with a significant value of  $0.769 > 0.05$ , so it can be concluded that partially

cash turnover has a positive and insignificant effect on liquidity (current ratio). Receivable turnover variable has a t-count of -0.860 and t-table of 1.998, then  $-0.860 < 1.998$  with a significant value of  $0.393 > 0.05$ , so it can be concluded that partially receivable turnover has a negative and insignificant effect on liquidity (current ratio). Inventory turnover variable has a t-count of 2.578 and t-table of 1.998, then  $2.578 > 1.998$  with a significant value of  $0.012 < 0.05$  so it can be concluded that partially inventory turnover has a





positive and significant effect on liquidity (current ratio). Capital turnover variable has a t-count of -2.914 and a t-table of 1.998, then  $-2.914 < 1.998$  with a significant value of  $0.005 < 0.05$ , so it can be concluded that partially the turnover of working capital has a negative and significant effect on the liquidity (current ratio). Fixed asset turnover variable has a

t-count of -0.041 and a t-table of 1.998, then  $-0.041 < 1.998$  with a significant value of  $0.968 > 0.05$ , so it can be concluded that partially the turnover of accounts receivable has a negative and insignificant effect on the liquidity (current ratio) in textiles and garments companies listed on the Indonesia Stock Exchange 2016-2019.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33,448	5	6,690	4,492	,001 <sup>b</sup>
	Residual	92,331	62	1,489		
	Total	125,779	67			

**Tabel 7. F Test Results**

It can be seen from the significant value that is equal to 0.001. If the significant value is less than 0.05, the regression model can be used to predict the liquidity variable (current ratio). The F-count value is 4.492 and by using the F-table is  $nk = 68-5$  is 63, the F-table value is 2.36 (can be seen in the F distribution table), in this

case  $F\text{-count} > F\text{-table}$  ( $4.492 > 2.36$ ) so it can be concluded that the variable cash turnover, receivable turnover, inventory turnover, capital turnover and fixed asset turnover simultaneously have a significant effect on liquidity in textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,516 <sup>a</sup>	,266	,207	1,22033	,938

**Tabel 7. Coefficient of Determination**

The Adjusted R Square number of determination coefficient is 0.266. This means that 26.6% of the liquidity variable can be explained by the variables of cash turnover, receivable turnover, inventory turnover, capital turnover and fixed asset turnover on liquidity in textile and garment companies listed on the LLDIKTI Wilayah X

Indonesia Stock Exchange in 2016-2019. While the remaining 73.4% is explained by other variables which are not researched.

**Effect of Cash Turnover on Liquidity**

Based on the results of partial hypothesis testing (t test), it is known that cash







turnover has a positive and insignificant effect on liquidity (current ratio) in textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. The results of this study are in line with the results of previous research by (Runtulalo et al., 2018) and (Mulyanti & Supriyani, 2018) which state that the turnover variable has a positive and insignificant effect on liquidity.

#### **Effect of Receivable Turnover on Liquidity**

Based on the results of partial hypothesis testing (t test), it is known that accounts receivable turnover has a negative and insignificant effect on the liquidity (current ratio) of textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. The results of this study are in line with the results of previous research by (Indriani et al., 2017) and (Ezwita, 2014) which state that the receivables turnover variable has a negative and insignificant effect on liquidity.

#### **Effect of Inventory Turnover on Liquidity**

Based on the results of partial hypothesis testing (t test), it is known that inventory turnover has a positive and significant effect on liquidity (current ratio) in textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. The results of this study are in line with the results of previous research by

(Wijaya, 2018) and (Ezwita, 2014) which state that inventory turnover has a positive and significant effect on liquidity.

#### **Effect of Capital Turnover on Liquidity**

Based on the results of partial hypothesis testing (t test), it is known that working capital turnover has a negative and significant effect on liquidity (current ratio) in textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. The results of this study are in line with the results of previous studies by (Supriyadi & Fazriani, 2011) which state that working capital turnover has a negative and significant effect on liquidity.

#### **Effect of Fixed Asset Turnover on Liquidity**

Based on the results of partial hypothesis testing (t test), it is known that fixed asset turnover has a negative and insignificant effect on the liquidity (current ratio) of textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. The results of this study are in line with the results of previous research (Sari, 2016) which states that the asset turnover variable has a negative and insignificant effect on liquidity.

#### **CONCLUSION**

From the results of partial hypothesis test, it shows that the cash turnover variable has a positive and insignificant effect on





the liquidity (current ratio), receivable turnover variable partially has a negative and insignificant effect on the liquidity (current ratio), inventory turnover variable partially has a positive and significant effect on the liquidity (current ratio), capital turnover variable partially has a negative and significant effect on the liquidity (current ratio), and fixed asset turnover variable partially has a negative and insignificant effect on the liquidity (current ratio) of textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. The Adjusted R Square number of determination coefficient is 0.266, it means that 26.6% of the liquidity variable can be explained by the variables of cash turnover, receivable turnover, inventory turnover, capital turnover and fixed asset turnover on liquidity in textile and garment companies listed on the Indonesia Stock Exchange in 2016-2019. While the remaining 73.4% is explained by other variables which are not researched.

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