Analysis of The Effect Of Inventory Turnover And Sales Growth On Profitability (Case Study On CV. Kresna Jaya Abadi 2019-2021)

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Abstract: *Profitability is the ability of an enterprise to make a profit. Profit is an important part of every company because profit affects the financial condition of a company. Inventory turnover is also an important part of the company if the company is able to increase its inventory turnover, this can accelerate returning profits to cash. Sales growth is also important for the company with the growth of sales, it will increase profits. But different from what is seen, sales growth can not always increase the company's profit. The problem in this study is to compare the theory with what happens in the CV. Kresna Jaya Abadi regarding the effect of inventory turnover and sales growth is devoured profitability. This study examined the partial and simultaneous effect of inventory turnover and sales growth due to CV profitability. Kresna Jaya Abadi during the Covid-19 pandemic in 2019 - 2021. The data used in this study are secondary data obtained from CV. Kresna Jaya Abadi in the form of financial statements from 2019 - 2021. The analysis model used in this study is multiple linear analysis. The results showed that statistically inventory turnover had a positive and significant effect on profitability while sales growth statistically did not have a significant effect on profitability. The simultaneous effect of inventory turnover and sales growth from statistical tests has a significant effect on profitability .*

Keywords: Inventory Turnover, Sales Growth, Profitability, ROA

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Introduction

Every company is required to be able to follow the development of its business. With this, the survival of the company can be maintained. Companies must also be able to align themselves with changes arising from the internal and external sides by improving performance in operating their business so that they are able to develop their business potential again. By observing and analyzing financial statements through a number of financial ratios, the company's management can find out the condition of the company. One of the ratio analysis used by the management of a company in carrying out an assessment related to the company's financial performance is the profitability ratio. Profitability is the company's ability to generate profit in relation to its own capital or the sale of total assets (Hartono & Puspita, 2018). The important role of profitability in a company is as a reflection of the company's prospects whether it has a promising future or not. For now, there are 4 profitability measuring instruments that are not well-known, including Return On Asset (ROA), Net Return On Equity (ROE), Return On Investment (ROI) and Profit Margin (NPM). However, this study uses profitability as measured by the return on asset formula. Where the calculation of profitability using ROA reflects the increasingly efficient use of company assets or it can also be said that maximum profit can be generated with the same amount of assets.

Inventory turnover is a method to review the quantity of inventory sales carried out by the company in a certain period. Inventory turnover shows the intensity of recovered goods and goods sold in one accounting period (Ernawati, 2015). Therefore, it can be concluded that inventory turnover is the quantity of inventory of merchandise sold in a certain period. Various companies apply inventory turnover to provide an assessment of their ability to handle competitors, carry out operating profit planning, and review the company's level of ability in the sustainability of its business operations. (Bayu Wulandari & Wilda Afriany Ompusunggu 2021), Concluding that inventory turnover is a measure of the intensity of inventory of a merchandise that can be sold within a period. Inventory turnover plays a role in calculating the quantity of turnover of funds included in inventory in a period. (Kasmir, 2016).

Sales is an exchange activity, especially money for goods and services, where this activity is the main one for service companies, trade, and also manufacturing. Sales have a big influence on business activities because the sales activities carried out should be accompanied by the addition of assets and assets, so if sales increase, assets must also be added (Riska Vidyasari, Yuria Mendra, & Wenny Saitri, 2021). This research was conducted on CV. Kresna Jaya Abadi which is a general trading business that has been established since 1975, during the Covid-19 pandemic, CV. Kresna Jaya Abadi has experienced problems where its turnover has decreased over the past 3 years.

Method

The type of research used is quantitative research with a descriptive statistical approach. Jenis the source of the data used is secondary data obtained from CV.Kresna Jaya Abadi in the form of the company's annual financial statements. The data collection technique used is documentation. The data analysis used is multiple linear regression analysis, multiple linear regression tests are carried out to calculate the degree of influence of independent variables on dependent variables in regression models(Sugiono, 2016) . This study used independent variables and dependent variables. The independent variables in this study are Inventory Turnover and Sales Growth. The dependent variable in this study is Profitability. Data analysis techniques in the form of quantifiable data that have been collected then go through the data processing process. In this process, quantitative data is processed using Microsoft Office Excel software with the following stages: calculating profitability ratios, inventory turnover, and sales growth is then processed through SPSS software by conducting classicity assumption tests such as: normality test, autocorrelation, Multicholinearity, Heteroskedasticity Test and hypothesis tests such as: t test, f test and determination coefficient test.

Results and Discussions

- **Test of Classical Assumptions**
  - Normality Test

The normality test is intended to test the normality of the quantitative data used. The normality test is carried out by applying non-parametric statistics with the *Kolmogorov-Smirnov One Sample* test method (Ghozali, 2016) . If the regression model has a sig value above 0.05, it can be said to be normally distributed. The following are the results of the normality test:

Table 1 Normality Test Results

		Unstandardized Residual
N		36
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,00278493
Most Extreme Differences	Absolute	,146
	Positive	,146
	Negative	-,072
Statistical Test		,146
Asymp. Sig. (2-tailed)		.051[c]

Source : Data processed on IBM SPSS 26 (2022)

From Table 1 it can be seen that the value of Asymp. Sig. (2-tailed) is 0.51. According to the guidelines, if the significance value exceeds 0.05 (0.51 > 0.05) then it can be concluded that the data is distributed normally

- Autocorrelation Test

An autocorrelation test was applied to test whether in the liniear regression model there was a correlation between the intruder error in the t-1 period. In this autocorrelation test, the Durbin-Watson Test (DW) is used with the provision that positive autocorrelation is a condition where if the DW value is less than -2 (DW< 2), it is said that there is no autocorrelation whenever the DW value is in the range of -2 and +2 or (-2<DW<+2), the autocorrelation is negative whenever the DW value is above +2 or (DW>+2) The following are the results of the autocorrelation test:

Table 2 Autocorrelation Test Results

Model Summary[b]

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,540a	,292	,249	,0028681	2,060

Source : Data processed on IBM SPSS 26 (2022)

Table 2 above displays the value d = 2.060 while known dL = 1.35 and dU = 1.59 with n = 36 as per the Durbin-Watson table. From these data, it can be seen that the value of d is between dU and and 4-dU (4 - 1.59 = 2.41) (dU < d < 4-dU) then conclusions can be drawn if there is no positive or negative autocorrelation in the study.

- Multicholinearity Test

To be able to determine the multicholinearity between independent variables using the reference variance inflation factor (VIF) and the tolerance value. If the VIF value is less than 10 and the tolerance value is more than 10 percent or 0.1, so that it is interpreted that among the independent variables there is no multicholinearity (Ghozali, 2016). Here are the results of multicholinearity:

Table 3 Results of MulticholineTest

Type		Collinearity Statistics: Tolerance	VIF
1	Inventory turnover	,918	1,090
	Sales Growth	,918	1,090

Source : Data processed on IBM SPSS 26 (2022)

Table 3 above shows the results of the multicholinearity test with a tolerance value exceeding 0.10 (tolerance > 0.10) in each independent variable, and the VIF shows a value that is less than 10 (VIF < 10) as a whole. Therefore, it can be concluded that the regression model does not contain multicholinearity.

- Heteroskedasticity Test

The heteroskedasticity test in this study applied the glejser test to review whether there was a difference in variance of residual value for all observations in the regression model. Where the significance value between the independent variable and the residual absolute > 0.05 then there is no heteroskedasticity problem. The following are the results of the heteroskedasticity test:

Table 4 Heteroskedasticity Test Results

Type		Unstandardized Coefficients: B	Unstandardized Coefficients: Std. Error	Standardized Coefficients: Beta	t	Sig.
1	(Constant)	-,006	,007		-,854	,399
	Inventory turnover	,007	,006	,207	1,165	,252
	Sales Growth	-,005	,008	-,101	-,570	,573

Source : Data processed on IBM SPSS 26 (2022)

The table shows the significance value of each independent variable having a number exceeding 0.05, this indicates that heteroskedasticity did not occur in each independent variable.

- **Hypothesis Test**
  - Partial test (t test)

Partial testing (t-test) is carried out by testing the regression coefficient by determining the statistical formula to be tested. This test is applied to partially review the influence on each variable. The results of the multiple liniear regression analysis are as follows :

Table 5 t Test Results

Type		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-,036	,012		-2,957	,006
	Inventory turnover	,038	,010	,554	3,624	,001
	Sales Growth	-,005	,014	-,057	-,374	,711

Source : Data processed on IBM SPSS 26 (2022)

a. Effect of Inventory Turnover on Profitability on CV. Kresna Jaya Abadi in 2019 – 2021 (During the covid 19 pandemic)

Table 5 shows the t-value of inventory turnover at 3.624 with a significance of 0.006, while the table t-value is 0.682 and the significance is less than 0.05 (0.003 < 0.05). Because$_{\text{the calculated}}$ t value exceeds the table t value and the significance is less than the significance limit, there is a significant influence of inventory turnover on profitability which means hypothesis 1 is supported

b. The Effect of Sales Growth on CV Profitability. Kresna Jaya Abadi in 2019 – 2021 (during the covid 19 pandemic)

Table 5 shows the value of $t_{counting}$ sales growth of a number of -0.374 with a significance of 0.711, while the$_{\text{table}}$ t value amounted to 0.682 and significance exceeded 0.05 (0.711 > 0.05) then sales growth had no positive and insignificant effect on profitability on CV. Kresna Jaya Abadi in 2019 – 2021 hereby hypothesis 2 is declared rejected.

- Simultaneous Test (Test f)

Simultaneous testing (test f) determines the outcome of an independent variable whether it has an influence on the dependent variable. The benchmark in decision determination is used if the sig value is less than 5 percent, then it is found to be the influence of the significance of simultaneously independent variables on the dependent varabel. The calculation results of the f test are as follows:

Table 6 Test Results f

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,000	2	,000	6,807	,003[b]
	Residual	,000	33	,000		
	Total	,000	35			

Source : Data processed on IBM SPSS 25 (2022)

Table 6 shows a calculated F value of 6.807 with a significance value of 0.003. While the Ftabel value is 3.28 and the significance value is less than 0.05 (0.003 < 0.05). Thus, it can be concluded that the influence of independent or free variables, namely inventory turnover and sales growth, has a simultaneous positive effect on profitability.

- Coefficient of Determination Test

The coefficient of determination test provides a large percentage picture of all independent variables in explaining the dependent variables. The results of the calculation of the coefficient of determination test are as follows:

Table 7 Coefficient of Determination Test Results

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,540[a]	,292	,249	,0028681

Source : Data processed on IBM SPSS 25 (2022)

Table 7 shows the Adjusted R Square values of the study at 0.249. This indicates that the dependent variable, namely profitability, can be described by the free variable, namely inventory turnover and sales growth of 29.2%, of which the remaining 70.8% is described by other variables outside of this study.

Conclusion

Hypothesis 1 which exposes that inventory turnover has a positive effect on profitability , statistically supported. This is due to the level of CV inventory turnover. Kresna Jaya Abadi is quite good.

The results of the study stated that sales growth had a negative and insignificant effect on profitability. This is due to the growth in CV sales. Fluctuating Kresna Jaya Abadi. Hypothesis 2 which explains that sales growth has a positive effect on profitability, is statistically not supported

The results stated that simultaneously sales growth and inventory turnover had a significant positive effect simultaneously on profitability on CV. Kresna Jaya Abadi.

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