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The Effect of Accounts Receivable Turnover and Inventory Turnover on Return on Assets at PT Multi Indocitra, Tbk.

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Abstract

This study aims to examine the effect of accounts receivable turnover and inventory turnover on Return on Assets (ROA) at PT Multi Indocitra Tbk during the period 2019–2023. This research employs a quantitative approach using secondary data obtained from the company's annual financial reports. The analytical methods include descriptive statistical analysis, multiple linear regression analysis, correlation coefficient analysis, coefficient of determination, t-test, and F-test to evaluate both partial and simultaneous effects of the independent variables on financial performance. The results indicate that accounts receivable turnover and inventory turnover have a strong relationship with Return on Assets, as demonstrated by the correlation coefficient value of 0.914. Furthermore, the coefficient of determination (R^2) value of 0.837 indicates that 83.7% of the variation in Return on Assets can be explained by accounts receivable turnover and inventory turnover, while the remaining percentage is influenced by other factors outside the research model. The partial test results reveal that accounts receivable turnover has a positive but statistically insignificant effect on Return on Assets. Similarly, inventory turnover shows a positive but insignificant effect on Return on Assets. The simultaneous test results indicate that accounts receivable turnover and inventory turnover do not have a statistically significant effect on Return on Assets at PT Multi Indocitra Tbk. These findings provide insights into the role of working capital efficiency in improving corporate financial performance.

1. Introduction

In an increasingly competitive business environment, companies are required to continuously evaluate and improve their financial performance to ensure business sustainability. Measuring financial performance is an essential process that enables companies to assess the effectiveness of their operational activities, resource utilization, and strategic decision-making. One of the primary instruments used to evaluate corporate performance is financial statement analysis, which provides comprehensive information regarding a company's financial position, operational efficiency, and profitability. Financial statements serve as a fundamental source for stakeholders, including managers, investors, creditors, and policymakers, in assessing the company's ability to generate profits and maintain long-term growth.

A company is generally established with the primary objective of generating profits while ensuring continuous business development. Profitability represents a critical indicator of corporate success because it reflects the company's capability to utilize available resources efficiently to produce financial returns. Higher profitability indicates better management effectiveness in allocating assets, controlling costs, and maximizing operational performance. Therefore, profitability analysis has become an important aspect of financial management research, particularly in evaluating how internal financial factors influence corporate performance.

Profitability ratios are commonly used to measure a company's ability to generate earnings from its operational activities. These ratios provide an overview of managerial effectiveness in managing assets, liabilities, and equity to achieve organizational objectives. Several profitability indicators are frequently applied in financial analysis, including profit margin, Return on Equity (ROE), Earnings per Share (EPS), and Return on Assets (ROA). Among these indicators, ROA is considered one of the most important measurements because it evaluates the company's ability to generate net income from its total assets. ROA reflects how efficiently a company utilizes its asset base to create profits, making it a relevant indicator for assessing operational effectiveness and financial performance.

Working capital management is one of the internal factors that significantly influences profitability. Efficient management of current assets, particularly accounts receivable and inventory, plays an essential role in maintaining liquidity and improving financial performance. Accounts receivable and inventory represent major components of working capital that continuously circulate within business operations. Effective management of these assets enables companies to optimize cash flows, reduce operational inefficiencies, and increase profitability.

Accounts receivable represents a company's claims against customers arising from credit sales of goods or services. The management of accounts receivable is crucial because excessive investment in receivables may reduce available cash and increase collection risks. The effectiveness of receivable management can be measured through accounts receivable turnover, which indicates the frequency with which receivables are converted into cash within a specific period. A higher accounts receivable turnover ratio generally reflects better collection efficiency, faster cash conversion, and more effective utilization of working capital. Conversely, a lower turnover ratio may indicate inefficient credit policies, delayed customer payments, or excessive funds invested in receivables, which may negatively affect profitability.

In addition to accounts receivable, inventory management is another important factor affecting financial performance. Inventory represents current assets held by companies for production activities or sales processes. As one of the largest components of working capital, inventory requires effective management to maintain an optimal balance between availability and cost efficiency. Inventory turnover measures how frequently inventory is sold and replaced during a certain period. A high inventory turnover ratio generally indicates effective inventory management, reduced storage costs, and efficient utilization of company resources. However, excessively high turnover may indicate insufficient inventory levels that could disrupt production or sales activities. Conversely, low inventory turnover may suggest overstocking, inefficient inventory management, and increased holding costs, which can ultimately reduce profitability.

The relationship between working capital management and profitability has received considerable attention in previous financial management studies. Several studies have examined the influence of accounts receivable turnover and inventory turnover on Return on Assets (ROA), but the findings remain inconsistent. Some studies have demonstrated that efficient management of receivables and inventory contributes positively to profitability by improving operational efficiency and accelerating cash conversion cycles. However, other studies have found insignificant relationships, suggesting that the impact of working capital components may vary depending on industry characteristics, company policies, and economic conditions.

These inconsistent findings indicate the existence of a research gap regarding the extent to which accounts receivable turnover and inventory turnover influence corporate profitability. Therefore, further empirical investigation is necessary to provide additional evidence regarding the relationship between working capital management and financial performance, particularly in manufacturing companies with significant investments in current assets.

PT Multi Indocitra Tbk is one of the companies operating in the consumer goods industry that relies heavily on effective management of receivables and inventory to support its operational activities. As a company engaged in product distribution and sales, the ability to manage working capital efficiently becomes an important factor in maintaining profitability and business sustainability. Changes in accounts receivable turnover and inventory turnover may influence the company's ability to generate profits from its available assets.

Based on this background and the inconsistencies found in previous research findings, this study aims to examine the effect of accounts receivable turnover and inventory turnover on Return on Assets (ROA) at PT Multi Indocitra Tbk during the 2019–2023 period. This research contributes to the existing literature by providing empirical evidence regarding the role of working capital management in determining corporate profitability. Furthermore, the findings are expected to provide practical implications for corporate managers in developing effective strategies for managing receivables and inventory to improve financial performance.

2. Literature Review

2.1 Financial Management

Financial management is an essential component of corporate management that focuses on planning, organizing, controlling, and utilizing financial resources to achieve organizational objectives. Effective financial management enables companies to optimize the allocation of funds, maintain financial stability, and maximize firm value. According to financial management theory, managerial decisions related to investment, financing, and asset management directly influence the company's financial performance and sustainability.

Financial management involves strategic decision-making regarding how companies obtain, allocate, and utilize financial resources efficiently. The main objective of financial management is not only to maximize profitability but also to ensure long-term financial sustainability by maintaining an optimal balance between risk and return. Managers are required to make appropriate financial decisions related to asset utilization, capital structure, and working capital management to improve operational efficiency.

The primary functions of financial management consist of three fundamental decisions: investment decisions, financing decisions, and dividend decisions. Investment decisions concern the allocation of company resources into productive assets to generate future returns. Financing decisions involve determining the most effective sources of funding, while dividend decisions relate to the distribution of profits to shareholders. These three decisions are interconnected and contribute significantly to corporate financial performance.

In this study, financial management theory serves as the fundamental framework for explaining how working capital components, particularly accounts receivable and inventory, influence profitability. Efficient management of current assets is expected to improve asset utilization and ultimately enhance Return on Assets (ROA).

2.2 Financial Statements

Financial statements represent an important source of information used to evaluate a company's financial condition and performance. They provide comprehensive information regarding assets, liabilities, equity, revenues, expenses, and changes in financial position during a specific accounting period. Financial statements enable stakeholders to assess managerial effectiveness and make informed economic decisions.

According to accounting principles, financial statements are prepared to provide relevant and reliable financial information for internal and external users. Investors use financial statements to evaluate profitability and investment potential, while managers utilize financial reports as a basis for planning, controlling, and evaluating business operations.

Generally, financial statements consist of five main components: balance sheets, income statements, statements of changes in equity, cash flow statements, and notes to financial statements. The balance sheet presents the company's financial position by reporting assets, liabilities, and equity at a particular date. The income statement describes the company's operational performance by presenting revenues, expenses, and net income generated during a certain period.

The cash flow statement provides information regarding cash inflows and outflows arising from operating, investing, and financing activities. Meanwhile, notes to financial statements provide additional explanations regarding accounting policies and financial information to improve users' understanding of the reported financial data.

Financial statement analysis is widely used to measure corporate performance through financial ratios. Among various financial indicators, profitability ratios are important because they reflect the company's ability to generate earnings from available resources.

2.3 Accounts Receivable Turnover

Accounts receivable turnover is one of the important indicators in working capital management that measures the effectiveness of a company in collecting credit sales and converting receivables into cash. Accounts receivable arise when companies provide goods or services through credit transactions, creating claims against customers that are expected to be collected within a certain period.

A higher accounts receivable turnover ratio indicates that the company is more efficient in collecting receivables, reducing the amount of funds tied up in credit sales. Efficient receivable management improves cash availability, supports operational activities, and reduces the risk of bad debts. Conversely, a low receivable turnover ratio indicates inefficient collection policies, excessive investment in receivables, and potential liquidity problems.

From a financial management perspective, accounts receivable turnover reflects the effectiveness of working capital utilization. Companies with effective receivable management can accelerate cash conversion cycles, increase asset productivity, and potentially improve profitability.

Therefore, accounts receivable turnover is expected to have a positive relationship with Return on Assets because faster receivable collection enables companies to utilize their assets more efficiently in generating profits.

2.4 Inventory Turnover

Inventory turnover represents the efficiency of inventory management by measuring how frequently inventory is sold and replaced within a specific period. Inventory is one of the largest components of current assets, particularly in manufacturing and trading companies, making effective inventory management essential for maintaining operational efficiency.

A high inventory turnover ratio indicates that the company is capable of managing inventory effectively, reducing storage costs, minimizing inventory obsolescence, and accelerating the conversion of inventory into sales revenue. Efficient inventory management enables companies to reduce unnecessary investment in stock and improve the productivity of their assets.

However, excessively high inventory turnover may also indicate insufficient inventory levels, which could disrupt production activities and customer demand fulfillment. Conversely, a low inventory turnover ratio may indicate excessive inventory accumulation, inefficient resource allocation, and increased holding costs.

According to working capital management theory, optimal inventory management contributes to improved financial performance because companies can minimize costs while maintaining sufficient inventory availability. Therefore, inventory turnover is expected to positively influence profitability, particularly Return on Assets.

2.5 Return on Assets (ROA)

Return on Assets (ROA) is a profitability ratio that measures a company's ability to generate net income from its total assets. ROA reflects how effectively management utilizes company resources to produce profits. A higher ROA indicates better efficiency in asset utilization, while a lower ROA suggests inefficient asset management.

ROA is widely used by researchers and practitioners as an indicator of corporate financial performance because it evaluates the relationship between profitability and asset utilization. Unlike other profitability indicators, ROA provides insight into managerial effectiveness in converting company assets into earnings.

In financial management research, ROA is frequently used as a dependent variable to evaluate how internal financial policies, operational efficiency, and working capital management affect corporate profitability.

2.6 Relationship Between Accounts Receivable Turnover and Return on Assets

Accounts receivable turnover has a significant theoretical relationship with profitability because effective receivable management improves cash availability and reduces funds invested in outstanding receivables. Faster collection of receivables allows companies to utilize available resources for operational activities and investment opportunities. According to working capital management theory, efficient receivable turnover improves asset productivity because fewer resources are immobilized in credit sales. Consequently, companies can generate higher returns from their assets.

Previous studies suggest that companies with higher accounts receivable turnover tend to experience improved profitability due to better liquidity management and reduced collection risks. Therefore, this study proposes the following hypothesis:

H1: Accounts receivable turnover has a positive effect on Return on Assets (ROA).

2.7 Relationship Between Inventory Turnover and Return on Assets

Inventory turnover reflects the effectiveness of inventory management in supporting business operations. Efficient inventory circulation allows companies to minimize storage costs, reduce inventory risks, and accelerate revenue generation. Companies with higher inventory turnover are generally considered more efficient because inventory can be converted into sales more quickly. This condition improves asset utilization and may increase profitability. Conversely, inefficient inventory management can increase operational costs and reduce financial performance.

Based on this theoretical perspective, inventory turnover is expected to influence Return on Assets positively. Therefore, the proposed hypothesis is:

H2: Inventory turnover has a positive effect on Return on Assets (ROA).

2.8 Relationship Between Accounts Receivable Turnover, Inventory Turnover, and Return on Assets

Working capital management theory explains that efficient management of current assets contributes significantly to corporate profitability. Accounts receivable and inventory represent two major components of working capital that directly influence liquidity, operational efficiency, and asset utilization.
Effective receivable management accelerates cash collection, while efficient inventory management improves sales effectiveness and reduces unnecessary costs. When both components are managed optimally, companies are able to maximize the productivity of their assets, resulting in improved profitability.

Previous financial management studies have demonstrated that working capital efficiency plays an important role in determining corporate performance. However, empirical findings remain inconsistent across industries and research contexts. Some studies report significant effects of working capital efficiency on profitability, while others find insignificant relationships.

These inconsistencies indicate the need for further investigation, particularly in companies operating in industries with substantial investments in receivables and inventory. Therefore, this study examines the simultaneous effect of accounts receivable turnover and inventory turnover on Return on Assets at PT Multi Indocitra Tbk.

Based on the theoretical arguments above, the following hypothesis is proposed:

H3: Accounts receivable turnover and inventory turnover simultaneously affect Return on Assets (ROA).

2.9 Previous Research

Previous empirical studies have investigated the relationship between working capital management and profitability using various financial indicators. Several studies have found that accounts receivable turnover and inventory turnover significantly influence profitability because efficient working capital management improves operational effectiveness and asset utilization.

However, other studies have reported insignificant relationships, indicating that the impact of working capital components may depend on company characteristics, industry conditions, and economic factors. These inconsistent findings create a research gap that requires further empirical examination.

Therefore, this study contributes to the existing literature by analyzing the effect of accounts receivable turnover and inventory turnover on Return on Assets in PT Multi Indocitra Tbk during the 2019–2023 period. The findings are expected to provide additional evidence regarding the role of working capital management in improving corporate financial performance.

3. Research Methodology

3.1 Research Design

This study employs a quantitative research approach to examine the effect of accounts receivable turnover and inventory turnover on Return on Assets (ROA). The quantitative approach was selected because this research focuses on measuring the relationship between independent variables and dependent variables using numerical financial data and statistical analysis.

The research design is explanatory in nature, aiming to analyze whether accounts receivable turnover and inventory turnover influence the profitability performance of PT Multi Indocitra Tbk. The research model is developed based on financial management theory, particularly working capital management, which explains that efficient management of current assets contributes to improved corporate profitability.

3.2 Research Location and Period

The research was conducted at PT Multi Indocitra Tbk, a company listed on the Indonesia Stock Exchange (IDX). The financial data used in this study were obtained from the official IDX database through Indonesia Stock Exchange (IDX) and related company financial reports. The observation period covers five years, from 2019 to 2023. The research activities, including data collection, analysis, and interpretation, were conducted during August–September 2024.

3.3 Types and Sources of Data

3.3.1 Types of Data

This study uses two types of data:

1. Quantitative Data

Quantitative data refer to numerical information obtained from the company's financial statements. The quantitative data used in this research include:

- Net sales
- Accounts receivable
- Inventory
- Total assets
- Net income

These data are used to calculate accounts receivable turnover, inventory turnover, and Return on Assets (ROA).

2. Qualitative Data

Qualitative data consist of descriptive information related to company profiles, business activities, and relevant theoretical concepts regarding financial management, working capital management, and profitability.

3.3.2 Data Sources

This research uses secondary data. Secondary data were obtained from publicly available financial statements of PT Multi

Indocitra Tbk during the 2019–2023 period. Additional references were obtained from academic books, scientific journals, and relevant publications related to financial management and profitability analysis.

3.4 Data Collection Method

The data collection method used in this research is documentation study and literature review. The documentation method was conducted by collecting annual financial reports of PT Multi Indocitra Tbk from the Indonesia Stock Exchange database. Meanwhile, the literature review method was conducted by examining previous studies, theories, and scientific references related to working capital management, accounts receivable turnover, inventory turnover, and Return on Assets.

3.5 Research Variables and Measurement

This study consists of two independent variables and one dependent variable.

3.5.1 Independent Variables

1. Accounts Receivable Turnover (X1)

Accounts receivable turnover measures the effectiveness of a company in converting credit sales into cash within a certain period. The formula is:

$$\text{Accounts Receivable Turnover} = \frac{\text{Net Sales}}{\text{Average Accounts Receivable}}$$

where:

$$\text{Average Accounts Receivable} = \frac{\text{Beginning Receivables} + \text{Ending Receivables}}{2}$$

2. Inventory Turnover (X2)

Inventory turnover measures how efficiently a company manages inventory by determining the frequency of inventory conversion into sales during a specific period. The formula is:

$$\text{Inventory Turnover} = \frac{\text{Net Sales}}{\text{Average Inventory}}$$

where:

$$\text{Average Inventory} = \frac{\text{Beginning Inventory} + \text{Ending Inventory}}{2}$$

3.5.2 Dependent Variable

Return on Assets (ROA) (Y)

Return on Assets represents the company's ability to generate net income from its total assets. ROA reflects managerial effectiveness in utilizing company resources. The formula is:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

3.6 Data Analysis Techniques

The data analysis process consists of descriptive analysis and inferential statistical analysis.

3.6.1 Descriptive Statistical Analysis

Descriptive analysis is used to describe the development and characteristics of accounts receivable turnover, inventory turnover, and Return on Assets during the research period. This analysis provides an overview of the financial condition of PT Multi Indocitra Tbk based on the observed financial indicators.

3.6.2 Multiple Linear Regression Analysis

Multiple linear regression analysis is applied to examine the relationship between independent variables (accounts receivable turnover and inventory turnover) and the dependent variable (Return on Assets).

The regression model used in this study is:

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

Where:

Y = Return on Assets (ROA)

α = Constant value

β1 = Regression coefficient of accounts receivable turnover

β2 = Regression coefficient of inventory turnover

X1 = Accounts receivable turnover

X2 = Inventory turnover

e = Error term

3.6.3 Correlation Coefficient Analysis

Correlation analysis is conducted to determine the strength and direction of the relationship between independent variables and the dependent variable. The correlation coefficient value ranges from -1 to +1, where:

Correlation Interval	Relationship Level
0.00–0.19	Very weak
0.20–0.39	Weak
0.40–0.59	Moderate
0.60–0.79	Strong
0.80–1.00	Very strong

A coefficient closer to +1 indicates a stronger positive relationship between variables.

3.6.4 Coefficient of Determination (R^2)

The coefficient of determination is used to measure how much variation in Return on Assets can be explained by accounts receivable turnover and inventory turnover. The R^2 value ranges between 0 and 1. A higher R^2 value indicates that the independent variables provide stronger explanatory power for changes in the dependent variable.

3.6.5 Partial Test (t-Test)

The t-test is conducted to examine the individual effect of each independent variable on Return on Assets.

The decision criteria are:

- If the significance value is < 0.05, the independent variable has a significant partial effect on ROA.
- If the significance value is > 0.05, the independent variable does not have a significant partial effect on ROA.

The hypotheses tested are:

H1: Accounts receivable turnover has a significant effect on Return on Assets.

H2: Inventory turnover has a significant effect on Return on Assets.

3.6.6 Simultaneous Test (F-Test)

The F-test is conducted to examine whether accounts receivable turnover and inventory turnover simultaneously influence Return on Assets.

The decision criteria are:

- If the significance value of F-test < 0.05, the independent variables simultaneously affect ROA.
- If the significance value of F-test > 0.05, the independent variables do not simultaneously affect ROA.

The hypothesis tested is:

H3: Accounts receivable turnover and inventory turnover simultaneously affect Return on Assets.

3.7 Research Model

Based on the conceptual framework, the research model is formulated as follows:

Accounts Receivable Turnover (X1)

↓

Return on Assets (Y)

Inventory Turnover (X2)

↓

The model explains that accounts receivable turnover and inventory turnover are expected to influence the profitability level of PT Multi Indocitra Tbk measured through Return on Assets.

4. Results

4.1 Descriptive Analysis of Accounts Receivable Turnover

Accounts receivable turnover represents the effectiveness of a company in managing credit sales and converting receivables into cash within a certain period. A higher accounts receivable turnover ratio indicates that the company has better collection efficiency, lower investment in receivables, and more effective utilization of working capital. Conversely, a lower turnover ratio indicates that more funds are tied up in receivables, which may reduce operational flexibility.

This study analyzes accounts receivable turnover at PT Multi Indocitra Tbk during the 2019–2023 period. The calculation is based on net sales and average accounts receivable obtained from the company's annual financial reports.

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Table 1. Accounts Receivable Turnover of PT Multi Indocitra Tbk (2019–2023)

Year	Net Sales	Average Accounts Receivable	Accounts Receivable Turnover (Times)
2019	733,816,419	189,695,410	3.86
2020	657,285,313	176,657,598	3.70
2021	770,708,092	179,255,564	4.29
2022	974,636,523	209,237,243	4.65
2023	1,086,594,171	222,181,243	4.89

Source: PT Multi Indocitra Tbk financial reports, processed data (2024)

The results indicate that accounts receivable turnover experienced fluctuations during the observation period. In 2019, the company recorded an accounts receivable turnover ratio of 3.86 times, which slightly decreased to 3.70 times in 2020. This decline was mainly caused by reduced sales performance during the period. However, accounts receivable turnover increased significantly from 2021 to 2023, reaching 4.89 times in 2023.

The increasing trend indicates that PT Multi Indocitra Tbk improved its receivable management efficiency by accelerating the conversion of receivables into cash. The higher turnover ratio suggests that the company was able to optimize working capital utilization and reduce funds invested in outstanding receivables.

These findings support the concept of working capital management, which states that efficient receivable management contributes to improved liquidity and operational effectiveness. Effective collection policies enable companies to generate faster cash flows that can be utilized for business expansion and operational activities.

4.2 Descriptive Analysis of Inventory Turnover

Inventory turnover reflects the effectiveness of inventory management by measuring how frequently inventory is converted into sales during a specific period. Efficient inventory management allows companies to minimize storage costs, reduce inventory accumulation, and improve asset productivity. The inventory turnover analysis of PT Multi Indocitra Tbk during 2019–2023 is presented below.

Table 2. Inventory Turnover of PT Multi Indocitra Tbk (2019–2023)

Year	Net Sales	Average Inventory	Inventory Turnover (Times)
2019	733,816,419	184,264,194	3.98
2020	654,285,313	214,315,842	3.05
2021	770,708,092	236,220,637	3.26
2022	974,636,523	297,775,389	3.27
2023	1,086,594,171	350,164,104	3.10

Source: PT Multi Indocitra Tbk financial reports, processed data (2024)

The results show that inventory turnover experienced a declining trend compared with accounts receivable turnover. Inventory turnover decreased from 3.98 times in 2019 to 3.05 times in 2020. Although it slightly improved during 2021 and 2022, the ratio declined again to 3.10 times in 2023. The decline indicates that inventory accumulation increased during the research period. The increase in average inventory was not followed by proportional growth in sales, resulting in slower inventory circulation. A lower inventory turnover ratio suggests that the company requires a longer period to convert inventory into sales.

This condition may increase inventory holding costs and reduce the efficiency of asset utilization. Therefore, companies need effective inventory planning strategies to maintain optimal inventory levels and improve profitability.

4.3 Analysis of Return on Assets (ROA)

Return on Assets (ROA) measures the ability of a company to generate net income from its total assets. A higher ROA indicates better asset utilization efficiency because the company is able to generate greater profits from available resources.

The ROA development of PT Multi Indocitra Tbk during 2019–2023 is presented below.

Table 3. Return on Assets of PT Multi Indocitra Tbk (2019–2023)

Year	Net Income	Total Assets	ROA (%)
2019	34,333	1,039,470	3.30
2020	2,701	1,000,283	0.27
2021	30,116	1,063,137	2.83
2022	47,711	1,196,101	3.98
2023	34,369	1,328,983	2.58

Source: PT Multi Indocitra Tbk financial reports, processed data (2024)

The results indicate that ROA fluctuated during the research period. The highest ROA occurred in 2022 at 3.98%, while the lowest ROA was recorded in 2020 at 0.27%. The decline in 2020 was mainly caused by a significant decrease in net income, although total assets remained relatively stable.

The increase in ROA in 2022 indicates that the company achieved better asset utilization efficiency and generated higher profitability. However, the decline in 2023 suggests that the increase in assets was not followed by proportional growth in net income.

4.4 Multiple Regression Analysis

To examine the effect of accounts receivable turnover and inventory turnover on ROA, multiple linear regression analysis was conducted.

The regression equation obtained is:

$$ROA = -17.103 + 2.323X_1 + 2.022X_2$$

where:

- ROA = Return on Assets
- X1 = Accounts Receivable Turnover
- X2 = Inventory Turnover

The regression results indicate that the coefficient of accounts receivable turnover is positive (2.323). This means that an increase in accounts receivable turnover tends to increase ROA. Similarly, inventory turnover has a positive regression coefficient (2.022), indicating that improved inventory efficiency contributes to higher profitability.

However, statistical testing is required to determine whether these effects are significant.

4.5 Coefficient of Determination and Correlation Analysis

The coefficient of determination (R^2) obtained in this study is 0.837. This indicates that accounts receivable turnover and inventory turnover explain approximately 83.7% of variations in Return on Assets, while the remaining 16.3% is influenced by other factors outside the research model. Furthermore, the correlation coefficient value is 0.914, indicating a very strong relationship between working capital efficiency variables and ROA.

These findings suggest that accounts receivable turnover and inventory turnover are important factors related to corporate profitability performance.

4.6 Hypothesis Testing

4.6.1 Partial Effect of Accounts Receivable Turnover on ROA

The t-test results show that accounts receivable turnover obtained a t-value of 2.727, which is lower than the critical t-value of 2.919. Therefore, accounts receivable turnover has a positive but statistically insignificant effect on ROA. This finding indicates that although improved receivable turnover contributes to better cash conversion, the improvement is not sufficient to significantly increase profitability.

The result is consistent with working capital management theory, which explains that efficient receivable management supports liquidity improvement but does not always directly increase profitability because profitability is also influenced by operational costs, pricing strategies, and market conditions.

4.6.2 Partial Effect of Inventory Turnover on ROA

The t-test results indicate that inventory turnover obtained a t-value of 2.548, which is lower than the critical t-value of 2.919. Therefore, inventory turnover has a positive but insignificant effect on ROA. This result suggests that improvements in inventory circulation have not significantly contributed to profitability improvement during the research period. The increase in inventory levels may have created additional holding costs that reduced the potential profitability impact.

4.6.3 Simultaneous Effect of Accounts Receivable Turnover and Inventory Turnover on ROA

The F-test results show an F-value of 5.13, while the F-table value is 19.00. Since F-count is lower than F-table, accounts receivable turnover and inventory turnover simultaneously do not have a significant effect on ROA. Although both variables demonstrate a strong relationship with profitability based on the correlation and determination coefficients, their simultaneous influence is statistically insignificant. This finding indicates that PT Multi Indocitra Tbk’s profitability is not solely determined by working capital efficiency but may also be influenced by other factors such as operational expenses, financial policies, market conditions, and business strategies.

4.7 Discussion and Research Implications

The findings demonstrate that working capital components play an important role in supporting corporate financial performance. Accounts receivable turnover shows a positive relationship with ROA, indicating that efficient collection processes contribute to better asset utilization. However, the insignificant effect suggests that improving receivable efficiency alone is insufficient to significantly enhance profitability.

Similarly, inventory turnover shows a positive relationship with ROA but does not significantly influence profitability. This indicates that inventory management at PT Multi Indocitra Tbk requires continuous improvement to ensure that inventory accumulation does not reduce operational efficiency.

Overall, this study provides empirical evidence that working capital management is an important determinant of financial performance; however, its impact depends on the company’s ability to integrate receivable management, inventory control, cost efficiency, and revenue generation strategies.

5. Conclusion

5.1. Research Findings Summary

This study examines the effect of accounts receivable turnover and inventory turnover on Return on Assets (ROA) at PT Multi Indocitra Tbk during the 2019–2023 period. The research findings indicate that the company's working capital management, particularly related to receivables and inventory management, plays an important role in determining asset utilization efficiency and financial performance.

The analysis shows that accounts receivable turnover experienced a positive trend during the observation period. After experiencing a decline in 2020, the ratio continued to increase until reaching its highest level in 2023. This indicates that PT Multi Indocitra Tbk has improved its ability to convert credit sales into cash, reflecting more effective receivable collection management.

Meanwhile, inventory turnover showed a relatively fluctuating trend with a tendency to decline. The increasing value of average inventory compared with sales growth indicates that the company experienced challenges in optimizing inventory utilization. This condition suggests that inventory management efficiency requires further improvement to prevent excessive funds being tied up in unsold inventory.

The ROA analysis demonstrates fluctuations in the company's profitability performance. The highest ROA occurred in 2022, while the lowest performance was recorded in 2020. These fluctuations indicate that changes in asset utilization efficiency and profitability levels were influenced by internal operational conditions and the company's ability to generate profits from available resources.

5.2. Theoretical Implications

This study contributes to the development of financial management literature, particularly regarding the relationship between working capital management and corporate profitability. The findings reinforce the perspective of working capital theory, which emphasizes that effective management of current assets, including accounts receivable and inventory, is essential for improving operational efficiency and financial performance.

The results demonstrate that accounts receivable turnover has a positive relationship with ROA, suggesting that faster receivable conversion can support cash availability and enhance asset productivity. Efficient receivable management enables companies to reduce investment in unproductive current assets and allocate financial resources more effectively.

Furthermore, the findings related to inventory turnover highlight that inventory efficiency is an important determinant of profitability. Excessive inventory accumulation may reduce financial flexibility because capital remains invested in assets that have not yet generated returns. Therefore, optimal inventory management is necessary to achieve a balance between maintaining product availability and maximizing profitability.

This study also provides empirical evidence supporting previous financial management research that emphasizes the importance of liquidity management and asset utilization efficiency in improving company performance.

5.3. Managerial Implications

The findings provide several practical implications for the management of PT Multi Indocitra Tbk. First, management should continue strengthening accounts receivable control through effective credit policies, customer evaluation systems, and accelerated collection procedures. Although accounts receivable turnover has improved, maintaining efficient receivable management remains important to ensure sustainable cash flow.

Second, the company needs to improve inventory management strategies. The declining inventory turnover ratio indicates that inventory levels should be evaluated periodically to avoid overstocking conditions. The implementation of demand forecasting, inventory monitoring systems, and supply chain optimization can help the company minimize unnecessary inventory accumulation.

Third, management should focus on improving asset productivity because increases in total assets must be accompanied by proportional growth in profitability. Strategic allocation of resources, operational efficiency, and cost management are essential factors to enhance future ROA performance. Overall, companies should integrate receivable management, inventory control, and profitability strategies as interconnected components of financial decision-making.

5.4. Research Limitations

Although this study provides empirical findings regarding the relationship between working capital efficiency and profitability, several limitations should be acknowledged. First, this research focuses on only one company, namely PT Multi Indocitra Tbk, which limits the generalizability of the findings to other companies or industries. Different business characteristics, operational structures, and market conditions may produce different results.

Second, the observation period is limited to five years (2019–2023). A longer research period may provide more comprehensive insights regarding long-term patterns of accounts receivable management, inventory efficiency, and profitability performance.

Third, this study only examines two independent variables, namely accounts receivable turnover and inventory turnover. Other financial factors, such as liquidity ratio, leverage, company size, sales growth, and operational efficiency, may also influence ROA but were not included in this research model. Therefore, the interpretation of the findings should consider these limitations.

5.5. Recommendations for Future Research

Future studies are encouraged to expand the research model by incorporating additional financial indicators that may influence corporate profitability. Variables such as working capital turnover, debt ratio, liquidity ratio, operating efficiency, and firm size can provide a more comprehensive understanding of factors affecting ROA. Further research may also involve comparative analysis among companies within the same industry or across different sectors to identify whether the relationship between working capital management and profitability varies based on business characteristics.

Additionally, future researchers are recommended to apply more advanced analytical approaches, such as panel data regression, structural equation modeling (SEM), or dynamic financial analysis, to obtain deeper insights into the mechanisms linking asset management efficiency and corporate performance. By expanding the scope of analysis, future research can provide stronger theoretical contributions and more practical recommendations for companies seeking to improve financial sustainability and competitive advantage.

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