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The Effect of Liquidity Ratios, Profitability Ratios and Activity Ratios on Profit Growth in Chemical Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2014-2018 Period

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Abstract

The purpose of this research is to determine the effect of Liquidity Ratio, Profitability Ratio and Activity Ratio on Profit Growth in Chemical Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. The research data used is secondary data, where the data obtained indirectly from third parties or through media on the website (www.idx.co.id). The source of this research data was obtained from the Indonesian Stock Exchange (IDX), in the form of annual reports of companies in the chemical sub-sector for 2014-2018. The results showed that menunjukkan*Current ratio*(CR) has a negative and insignificant effect on Profit Growth. Net Profit Margin (NPM) has a positive and insignificant effect on Profit Growth. Inventory Turnover (IT) has a positive and insignificant effect on Profit Growth. CR, NPM and IT simultaneously have a positive and insignificant effect on Profit Growth.

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Introduction

The company's success in business and in generating maximum profit can only be achieved through good financial management. In managing financial management, especially regarding trade receivables, it is necessary to plan and analyze carefully, so that trade receivables management policies can run effectively and efficiently, both regarding receivables procedures, receivable collection, credit sales and other receivable problems. The receivables turnover period depends on the time required in the credit payment terms. So that the longer the credit payment terms means the longer the working capital is tied to receivables, on the contrary, the faster the credit payment terms means the shorter the level of tied up capital.
work in accounts receivable. By knowing the level of receivables turnover, it will be known the level of effectiveness of working capital embedded in receivables.

How quickly receivables are converted to cash within a year is called receivables turnover. Accounts receivable turnover shows how many times the funds embedded in receivables rotate each year, turning from receivables to cash and then back to receivables again. Accounts receivable turnover will determine the size of the profits to be obtained by the company. The higher the receivables turnover, the higher the level of profitability.
One way for companies to increase their profitability ratios is to rely on the collection of accounts receivable. The purpose of investment is to earn interest, receive dividends and realize profits from rising market prices of securities. The company's ability to collect receivables and pay debts is a measure of the company's performance. And this is what causes the company to survive to serve consumers.

The cash conversion cycle is defined as a cash journey, starting from cash issued (to buy materials) to cash back again (receivables paid) and can be calculated by adding the receivable collection period with the inventory conversion period minus the debt suspension period (Hanafi, 2008). . Accounts receivable arise when a sale occurs, but the company has not yet received cash. Thus the use of receivables is expected to increase sales and profits, but on the other hand accounts receivable also causes an increase in costs associated with receivables. These costs include opportunity costs due to funds embedded in receivable investments and unpaid receivables costs.

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Accounts receivable collection period is the average time required to convert the company's receivables into cash. The collection period of receivables can also be interpreted as the number of days of uncollected sales, and is calculated by dividing the average receivables by sales per day. The longer the period of collection of receivables, it will prevent the company from making a profit quickly so that the profit for that year has decreased. Accounts receivable turnover and receivable collection period in a company need to be maintained and managed properly so as to generate profits for the company and the company's profitability will also increase.

The mining industry is an industry whose activities are sustainable, so very good management is needed. However, an equally important thing that must be considered in mining business activities is receivables, where policies regarding receivables must be managed properly so as not to have a bad impact on the company.

Financial reports are made to provide information to interested parties, especially as a basis for consideration in the decision-making process later. Kosasih and Soewedo (2012:237) state that financial statements are a summary of a process or a summary of financial transactions that occurred during the financial year concerned.

According to Kasmir (2010: 66) financial statements are reports that show the company's financial condition at this time or in a certain period. In accordance with the duties of the financial manager given by the owner of the company, namely planning, finding, utilizing funds and maximizing the value of the company, one of the responsibilities of the financial manager is to present financial reports specifically.

According to Hery (2015: 19) financial statements are the result of the accounting process that can be used as a tool to communicate financial data or company activities to interested parties. The parties with an interest in the financial position and development of the company are divided into two, namely internal parties such as company management and employees, and the second is external parties such as shareholders, investors, creditors, government and society. So it can be concluded that financial statements are an information tool that connects the company with interested parties, which shows the company's financial health condition and company performance.

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The order of financial statements based on the presentation process is as follows (Hery, 2015:19):

1. The Income Statement is a systematic report on the company's income and expenses for a certain period of time. This income statement finally contains information on the company's operating results, namely net profit/loss, which is the result of income minus expenses.
2. Statement of Owner's Equity (Statement Of Owner's Equity) is a report that presents an overview of changes in owner's equity of a company for a certain period of time (report of changes in capital). Owner's equity will increase with the investment (capital deposit) and net profit. On the other hand, the owner's equity will be reduced by the existence of prives (withdrawals/withdrawals for personal use) and net loss.
3. The balance sheet is a systematic report on the position of assets, liabilities and company equity as of a certain date. The purpose of the balance sheet is to describe the company's financial position.
4. Cash Flow Statement (Statement Of Cash Flow) is a report that describes cash inflows and cash outflows in detail from each operating activity, investing activity, to financing/financing activities for a certain period of time. The cash flow statement shows the amount of net increase/decrease in cash from all activities during the current period and the company's cash balance until the end of the period.

Purpose and Nature of Financial Statements

Every preparation of financial statements must have certain aims and objectives, especially for business owners, company management and of course other interested parties. The following are some of the objectives of making financial statements according to Kasmir (2010:87), namely:

1. Provide information about the type and amount of assets (assets) currently owned by the company.
2. Provide information about the types and amounts of liabilities and capital owned by the company at this time.

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3. Provide information about the type and amount of income earned in a certain period.
4. Provide information about the amount of costs and types of costs incurred by the company in a certain period.
5. Provide information about changes that occur to the company's assets, liabilities and capital.
6. Provide information about the company's management performance in a period.
7. Provide information about the notes to the financial statements.
8. Other financial information.

Financial statements also have certain characteristics. Likewise, the recording made in the preparation of financial statements must be carried out according to the applicable rules. According to Kasmir (2010: 88) in practice the nature of financial statements is made:

1. Historical

   Financial statements are made and compiled from past or past data from the present.
2. Comprehensive

   Financial statements are made as complete as possible. This means that financial statements are prepared in accordance with established standards.

Receivables

Understanding Accounts Receivable

According to Kosasih and Soewedo (2012: 93) accounts receivable are the company's money bills to customers which are expected to be repaid within a maximum of one year from the date of the invoice. According to Manurung (2011: 67) receivables are the number of invoices from the company to customers based on credit sales that have been made previously. The form and terms of credit sales are usually set by the company, according to the business experience that has been experienced.

The term receivables includes all claims for money against other entities, including individuals, companies, and other organizations. Some classifications of receivables include: trade receivables, notes receivable and other receivables. Internal control that applies to receivables includes the separation of responsibilities for related functions. The company's

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receivable management is required to be able to manage its receivables correctly by using the right calculations so that short-term or long-term goals can be achieved optimally. One of the problems that may arise from receivable transactions is the non-payment of part or all of the receivables when they fall due.

Estimates of bad debts are usually evaluated by management on a monthly basis, and change the method/calculation used if deemed necessary. There are 2 approaches that can be used to estimate losses due to bad debts according to Manurung (2011: 69), namely:

1. Approach through the Balance Sheet

   By using the Balance Sheet approach, at the end of the year the amount of receivables will be classified into their respective time periods. Each classification has a different tendency in the assessment of the amount of uncollectible receivables. Calculation of any amount that may not be collectible in each classification is done based on its age.

2. Income Statement Approach

   By using the income statement approach, the calculation of the amount of receivables that are predicted to be uncollectible will be based on the financial statements (Profit and Loss Statement), namely the number of receivables that cannot be collected in the previous period.

Accounts Receivable Policy

If the customer is late to pay the bill, then the company needs to take real action to save the credit so that it doesn't go bad. According to Kasmir (2010:246) actions or policies that can be taken include the following:

1. Through a reprimand made by letter or telephone. This warning is usually a reminder.
2. If the reprimand, either letter or telephone, has not been responded to, the company can submit it to a collection agency such as a debt collector to collect the credit.

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Ratios Related to Accounts Receivable

Sales on credit will result in or affect the company's overall financial performance. Therefore, management needs to assess the performance from the receivables side. Measuring tools to assess this performance can be done by using financial ratios related to the receivables.

Financial ratios related to these receivables are as follows (Kasmir, 2010:247):

Accounts Receivable Turnover

Manurung (2011:73) states that accounts receivable turnover is net credit sales divided by the average trade receivables. This measures how often accounts receivable are converted to cash during a period. While the number of days of sales in accounts receivable is the balance of accounts receivable at the end of the year divided by the daily average credit sales. This measures the length of time the accounts receivable have been outstanding.

Ananda (2017) Accounts receivable turnover aims to find out how many times the receivables can be collected from the company. The value of receivables turnover depends on the terms of payment of the receivables. The softer or longer the stipulated payment terms mean the longer the capital is tied up in receivables.

Kasmir (2010: 247) states that receivables turnover is a ratio used to measure how long it takes to collect receivables for a period or how many times the funds invested in these receivables rotate in one period. The higher the ratio indicates that the working capital invested in receivables is lower and of course this condition for the company is getting better. On the other hand, if the ratio is lower, then there is over-investment in receivables. Accounts receivable turnover ratio provides an understanding of the quality of receivables and the success of receivables collection.

Understanding Profitability

According to Harahap (2013:304) profitability is a ratio that describes the company's ability to earn profits through all capabilities, and existing sources such as sales activities, cash, capital, number of employees, number of branches, and so on. Fitrah (2014) states that profitability is measuring the company's ability to generate profits through sales activities, cash, capital, number of employees, total reserves and so on.

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According to Kasmir (2010:115) profitability is a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the level of management effectiveness of a company. This is indicated by the profit generated from sales and investment income. All companies are always trying to increase their profitability. If the company succeeds in increasing its profitability, it can be said that the company is able to manage its resources effectively and efficiently so as to generate high profits. Conversely, if a company has low profitability, it shows that the company is not able to manage its resources properly, so it is unable to generate high profits.

The use of profitability ratios can be done by using comparisons between several components in the financial statements, especially the balance sheet financial statements and the income statement. Measurements can be made for several operating periods. The goal is to see the company's development in a certain time span, either a decrease or an increase, as well as to find the causes of these things.

Profitability Ratio Objectives and Benefits Rasio

Profitability ratios are not only beneficial for business owners, but also for parties outside the company, especially parties who have a relationship or interest with the company.

According to Lestari (2016), the objectives and benefits of using the profitability ratio for the company as well as for parties outside the company are:

a. To measure or calculate the profit earned by the company in a certain period.
b. To assess the company's profit position in the previous year with the current year.
c. To assess profit development over time.
d. To assess the amount of net profit after tax with own capital.
e. To measure the productivity of all company funds used both loan capital and own capital.
f. To measure the productivity of all company funds, both own capital is used.

Measurement of profitability ratios can be done by using comparisons between the various components in the financial statements, especially the balance sheet financial statements and the income statement. Measurements can be made for several operating periods. The aim is to see the development of the company's financial position within a certain

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time span, either a decrease or an increase, as well as an evaluation of management performance so that the causes of changes in the company's financial condition can be known. The more complete the type of ratio used, the more perfect the results to be achieved, so that the position and condition of the company's profitability level can be known perfectly.

Types of Profitability

Several types of profitability ratios can be stated as follows (Harahap, 2013: 304):

1. Profit Margin (Profit Margin)

   This ratio shows how big the percentage of net income is from each sale. The bigger this ratio, the better because it is considered that the company's ability to earn profits is quite high.

2. Assets turn over (Return On Assets)

   This ratio describes asset turnover measured by sales volume. The bigger this ratio the better. This means that assets can be turned around more quickly and make a profit.

3. Return On Investment (Return On Equity)

   This ratio shows what percentage of net profit is obtained when measured from the owner's capital. The bigger the better.

Based on the types of profitability ratios above, measurement of profitability in this study using Return On Assets (ROA). ROA measures the company's ability to manage its assets so as to generate profits.

ROA is one of the profitability ratios that can show the company's success in generating profits. This ratio relates to the profit generated by the company based on the use of company assets. A positive ROA indicates that the total assets used to operate are able to provide profits to the company. On the other hand, if the ROA is negative, it shows that the total assets used by the company are experiencing losses. So if a company has a high and positive ROA, then the company has a great opportunity to increase its own capital growth. On the other hand, if the total assets used by the company do not generate profits, it will inhibit the growth of its own capital.

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Methods

This research method is quantitative According to Soewandi (2012:146) quantitative data are facts or information expressed in the form of numbers or a numerical scale or numbers The data source used is secondary data, in the form of financial statements of mining companies as of December 31, 2013 - 2017 published on the website (www.idx.co.id) to calculate the variables used in the 2013-2017 period obtained from the Indonesia Stock Exchange (IDX). Data collection in this study is through the method of documentation. The documentation method in this study was obtained from secondary and written data in the form of financial statements of mining companies listed on the IDX in 2013-2017 which have been published.

Results

Description of the variable data used in this study can be seen in Table 4.1

Table 4.1 Description of Statistics

	N	Minimum	Maximum	mean	Std. Deviation
RECEIVABLES TURNOVER	130	.67	19.59	7.1016	4.25953
COLLECTION OF RECEIVABLES	130	18.63	547.81	87.8105	87.85715
ROA	130	-72.13	39.41	13.3098	18.39116
Valid N (listwise)	130				

Source: processed data, 2020

Based on the results of the calculations in Table 4.1, it appears that the 26 mining companies that were sampled in this study used the pooled data or panel data method, where 26 companies were multiplied by the period of observation year (5 years), so that the observations in this study became 26 x 5 = 130 observations. .

Accounts Receivable Turnover variable as a whole has the highest value of 19.59 owned by the companyNatural Resources Indonesia Tbk in 2014. The lowest value is 0.67 which is owned by PT. Perdana Karya Perkasa Tbk in 2015. The mean value is 7.1016, the standard deviation value is4.25953.

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Furthermore, the overall receivables collection variable has the highest value of547.81which is owned by the company PT. Perdana Karya Perkasa Tbk in 2015. The lowest value was 18.63 owned by PT. Natural Resources Indonesia Tbk in 2014. The mean value is 87.8105. The standard deviation value is87.85715.

Furthermore, Return on Assets (ROA) as a whole has the highest value of39.41 owned by the company PT.Bara Multi Suksessarana Tbk in 2017. The lowest value is -72.13 which is owned by PT. partner investindo Tbk in 2015. The mean value is 13.3098standard deviation value of18.39116.

Conclusion

Based on the results of the research and discussion that have been stated previously, conclusions can be drawn from research on the effect of Accounts Receivable Turnover and Accounts Receivable Collection Period on ROA in mining companies listed on the Indonesia Stock Exchange for the period 2013-2017 as follows (1) Based on research conducted on 26 Mining companies listed on the Indonesia Stock Exchange (IDX) for the period 2013-2017, it can be concluded that accounts receivable turnover partially has a significant effect on Return on Assets (ROA). (2) Based on research conducted on 26 mining companies listed on the Indonesia Stock Exchange (IDX) for the 2013-2017 period, it can be concluded that the collection of receivables partially has a significant effect on Return on Assets (ROA).

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