

The Effect of Working Capital Turnover and Inventory Turnover on Profitability on CV. Cita Mandiri, Junrejo Sub-Regency, Batu City

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INDEXING	ABSTRACT
Keywords: Keyword 1; Working Capital Turnover Keyword 2; Inventory Turnover Keyword 3; Profitability Keyword 4; Effect Keyword 5; Cita Mandiri	High profitability describes the company's success in managing the company's operations. Factors that support the increase in profitability are inventory turnover and working capital. The following research aims to determine the impact of inventory turnover and working capital turnover on profitability in CV Cita Mandiri, Junrejo District, Batu City in a partial and simultaneous way. The following research was carried out using quantitative techniques. The data source in the following research is the financial statements of CV Cita Mandiri, Junrejo District, Batu City for five periods, namely 2019 to 2023. The data analysis technique carried out is multiple linear regression. With a t-value of 5.465 for working capital turnover and a t-value of 5.206 for inventory turnover, the results of the following study explain that these two factors have a significant influence on profitability. Inventory turnover and working capital turnover together have a great influence on profitability on CV Cita Mandiri, Junrejo District, Batu City. with an F value = 11.246 or an influence of 91.8%. This result can be understood that the higher the working capital turnover and inventory turnover are able to support the increase in the company's profitability.

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INTRODUCTION

In every business, profitability is included among the main objectives of the company, which reflects how well the company can generate profits from its operational activities. High profitability explains the efficiency and effectiveness of a company to manage its resources. On the other hand, low profitability indicates problems in operations, cost management, or suboptimal use of resources. According to Winarko and Jaya (2018), profitability is a ratio used to bring out a business's ability to generate profits from its performance. Profitability is considered important because businesses must be able to generate positive or profitable profits to be able to operate.

The profitability of a company can indicate whether it is making money or losing money while operating. The profitability ratio evaluates how well a business is making money in a single accounting cycle. Different percentages of short-term bank debt financing in meeting working capital demand can have an impact on a company's profitability given the risk of short-term debt. Usually, the main goal of the company is to maximize profits or profits. Providing increased company profitability is one of the ways a company achieves its goals, as well as explained by Alarussi and Gao (2023).

Two crucial metrics that can assist management in assessing how well they handle existing assets and inventory are working capital turnover and inventory turnover. Therefore, the management of both has a direct impact on the company's financial performance, including profitability. The financial success of a company is influenced by its management performance, which determines how profitable the business is. The company's net profit is the basis for determining profitability. (Orbunde et al., 2021).

Because working capital is a current asset (short-term asset) that continues to revolve with the aim of making money, optimizing the turnover of working capital can help automotive companies gain a competitive advantage and achieve sustainable growth. Funds that a company has from internal and external sources and is used to support short-term operational activities are known as working capital. The relationship between inventory turnover and profitability Management provides is one of the most difficult businesses because mistakes in determining inventory levels can result in fatalities (Sah & Furedi-Fulop, 2022). Inventory turnover indicates the frequency of sales and replacements over a period of time. The company's profits will increase as more costs can be reduced due to higher inventory turnover rates. However, profits will be lower if the inventory turnover is slower.

Therefore, researchers need to re-examine the influence of inventory turnover and working capital turnover on profitability. Furthermore, this research can be repeated using the phenomenon that has been described earlier, so the researcher proposes the following research title: The Impact of Inventory and Working Capital Turnover on Profitability on CV Cita Mandiri in Junrejo District, Batu City.

LITERATURE REVIEW

Costs are always necessary for every company to run its operations, both for long-term investments and daily operations. In the following, the company's growth and improved financial condition can achieve the effectiveness and efficiency of performance needed to compete with other businesses. The amount of working capital is determined by the type of business. The determination of working capital has significant implications for businesses because it is most likely to lose revenue and profit if the working capital is insufficient to increase sales and production. Profitability is a statistic that shows how long a company survives by generating profits in a certain period of time (Alarussi & Alhaderi, 2018). The company's condition will improve if its profitability ratio is higher. Inventory is a major component of a company's working capital, and businesses often use it to increase profitability by increasing overall revenue. To facilitate efficient production and sales, inventory management is essential, claims Sudana (Jaber, 2009). Inventory is a component of current assets that is continuously acquired, modified, and then sold to customers as part of business activities. A healthy inventory turnover rate is necessary to increase cash returns from sales and inventory, which in turn increases inventory turnover.

RESEARCH METHOD

This research is a quantitative research that emphasizes theoretical testing through the movement of variables using numbers and conducting data analysis so that the public in this study takes advantage of the Financial Statements on CV Cita Mandiri for 2019-2023. Jl. Trunojoyo Village No.9D RT.02/RW.09, Junrejo, Junrejo District, Batu City, East Java is the location of this study. This study uses data collection techniques using questionnaires, data analysis techniques using descriptive

statistical tests, classical assumption tests, and hypothesis tests, while sampling uses nonprobability sampling techniques with the samplers to be used, namely using saturated sampling.

RESULT AND DISCUSSION

Ratio Analysis

The ratio of working capital turnover, inventory turnover, and profitability is calculated using ratio analysis. One of the ratios used to evaluate the efficiency of a company's working capital over a certain period of time is net working capital turnover, which is calculated by comparing working capital sales and average working capital.

$$\text{Working Capital Turnover} = \frac{\text{net sales}}{\text{Current Assets} - \text{Current Liabilities}} \times 100\%$$

Source : Yati *et al* (2025)

The Result of Descriptive Test

As seen below, descriptive tests are used in the study to ascertain the average of each research variable.

Table 1 Descriptive Test
Descriptive Statistics

Variable	N	Min.	Max.	Mean	Std. Deviation
X1	5	3.16	3.69	3.4580	0.22129
X2	5	38.57	46.97	42.7680	3.56212
Y	5	48.24	54.62	51.6460	3.12133

Source : Primary data processed (2025)

Based on table 1, it is proven that the average value of working capital turnover (X1) is 3.4580 which means a high working capital turnover value of 3.45 times, the average inventory turnover value (X2) is 42.7680 which means a high inventory turnover of 42.76 times and the average profitability value (Y) is 51.6460% which means the company's profitability is declared high at 51.64%.

Classical Assumption Test Results

Multiple linear regression tests can be performed because the findings of traditional assumption tests, which include heteroscedasticity, autocorrelation, multicollinearity, and normality tests, are known to meet their criteria.

Linear Regression Test Results

Table 2 Multiple Linear Regression Test

Variable	Standardized Coefficients (Beta)	Sig value.	Significant Value Provisions	Information
Constant	103,029	0,003	0,05	Positif
X1	14,095	0,002	0,05	Positif
X2	11,562	0,004	0,05	Positif

Source : Primary data processed (2025)

From the direct influence test, the results of the multiple linear regression equation can be shown as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = 103,029 + 14,095 X_1 + 11,562 X_2 + e$$

Based on the regression equation, it can be interpreted that, for the value of the profitability variable, the constant value of 103.029 means that the profitability value is declared high before being affected by working capital turnover and inventory turnover. If the value of the variables X1 and X2 is 25.657, the total influence value is 128.686. This means that overall there is a high influence between working capital turnover and inventory turnover on profitability in CV Cita Mandiri, Junrejo District, Batu City. Based on this equation, each influence between variables can be explained as follows.

1. The variable of working capital turnover (X1) and the profitability variable (Y) have a positive relationship, shown by the value of the regression coefficient (X1) of 14.095 which shows that high working capital turnover can boost profitability in CV Cita Mandiri, Junrejo District, Batu City. The regression coefficient (X2) of 11.562 shows that there is a positive relationship between the inventory turnover variable (X2) and the profitability variable (Y), This shows that the higher the inventory turnover, the better.
2. The regression coefficient (X2) of 11.562 shows that there is a positive relationship between the inventory turnover variable (X2) and the profitability variable (Y), this shows that the higher the inventory turnover, the better the inventory turnover (X2) has a significant effect on profitability (Y) with the calculated t value = 5.206 (greater than the table t = 2.571) and the significance value = 0.004 (less than 0.05) so that hypothesis 2 can be accepted. This means that CV Cita Mandiri Junrejo District, Batu City will be more profitable if the inventory turnover is larger.

Test Result F (Simultaneous)

Table 4 Test F

Variabel	F hitung	F tabel	Sig F
(X ₁)	11,246	5,786	0,002
(X ₂)			

Source : Primary data processed (2025)

The results of the F test obtained a value of F_{cal} (11,246) > F_{table} (5,786) with a significant value (0.002) which means that together/combined variables of working capital turnover (X1) and inventory turnover (X2) have a significant effect on profitability in CV Cita Mandiri, Junrejo District, Batu City, so that hypothesis 3 can be accepted. This means that the higher the turnover of working capital and the turnover of inventory, the greater the profitability of CV Cita Mandiri, Junrejo

District, Batu City. profitability of CV Cita Mandiri, Junrejo District, Batu City. With a regression coefficient value of 14.095, the regression equation shows that the turnover of working capital has a significant influence on increasing profitability in CV Cita Mandiri, Junrejo District, Batu City.

Hypothesis Test Results

Test Results t (Partial)

The following is an explanation of the influence of each research variable based on the calculation findings shown in Table 3.

1. In CV Cita Mandiri, Junrejo District, Batu City, the variable of working capital turnover (X1) has a significant effect on profitability (Y) with a significance value = 0.002 (less than 0.05) and t count = 5.465 (greater than t table = 2.571) so that hypothesis 1 can be accepted. This means that CV Cita Mandiri Junrejo District, Batu City will be more profitable if the working capital turnover is larger.
2. Inventory turnover (X2) has a significant effect on profitability (Y) with a calculated t value = 5.206 (greater than table t = 2.571) and a significance value = 0.004 (less than 0.05) so that hypothesis 2 can be accepted. This means that CV Cita Mandiri Junrejo District, Batu City will be more profitable if the inventory turnover is larger.

Test Result F (Simultaneous)

Table 4 Test F

Variabel	F hitung	F tabel	Sig F
(X ₁)	11,246	5,786	0,002
(X ₂)			

Source : Primary data processed (2025)

The results of the F test obtained a value of Fcal (11,246) > Ftable (5,786) with a significant value (0.002) which means that together/combined variables of working capital turnover (X1) and inventory turnover (X2) have a significant effect on profitability in CV Cita Mandiri, Junrejo District, Batu City, so that hypothesis 3 can be accepted. This means that the higher the turnover of working capital and the turnover of inventory, it is able to increase the profitability of CV Cita Mandiri, Junrejo District, Batu City.

Determination Coefficient R²

Table 5 Determination Coefficient Test (R²)

Model	R Square
1	0,918

Source : Primary data processed (2025)

The results of the analysis showed an r square value of 0.918 which means that the turnover of inventory and working capital contributed 91.8% to the profitability of CV Cita Mandiri in Junrejo District, Batu City, while the remaining 0.082 or 8.2% came from unexamined variables such as total assets and business operations.

The Effect of Working Capital Turnover and Inventory Turnover on Profitability on CV Cita Mandiri Batu City

1. The Effect of Working Capital Turnover on Profitability

The results of the study show that the turnover of working capital has a significant effect on the profitability of CV Cita Mandiri, Junrejo District, Batu City, meaning that the higher the turnover of working capital, the greater the profitability of the company. High working capital turnover is known from good use of working capital, high sales levels and control over working capital.

CV Cita Mandiri, Junrejo District, Batu City, is stated to have a high working capital turnover so as to support increased profitability. The results of this study are in accordance with Arifin research proving that a high working capital turnover is able to increase profitability in the company, meaning that the higher the working capital turnover, the higher the increase in business activities so as to increase sales, revenue, and business profitability (Arifin, 2020). The turnover of working capital shows the effectiveness of working capital in achieving sales, the faster the turnover of working capital shows the more effective use of working capital which has an impact on increasing the profitability of CV Cita Mandiri, Junrejo District, Batu City.

Hasbir's research explains that capital turnover is one of the tools to measure or assess the effectiveness of a company's working capital during a certain period (Hasbir, 2019). Companies need working capital as funds used to be able to run business operations productively. Working capital turnover as the total current assets owned by the company that can be used as funds that must always be available under any condition to finance all operational activities carried out by the company every day. A high turnover of working capital illustrates that the company carries out high operational activities so that it can support increased profitability.

Proving that working capital is a current asset Working capital that is well managed by company managers will affect the profitability of the company (Ponsian et al., 2014). Company managers play a role in increasing the company's profitability in the midst of fierce competition through effective and efficient management of working capital so as to generate positive profits. The company needs funds to carry out its operational activities, the funds are called working capital. Companies that have adequate working capital will operate in accordance with financial feasibility in accordance with the activities being carried out and will not experience financial difficulties. If it does not have working capital to increase its production, it is likely that the company will lose revenue and profit. Effective use and management of working capital is one of the keys to the success of a business in continuing to produce goods and services.

2. Effect of Inventory Turnover on Profitability

The results of the study show that inventory turnover has a significant effect on profitability at CV Cita Mandiri in Junrejo District, Batu City; In other words, the higher the inventory turnover, the greater the profit that the company can get. Having enough inventory for manufacturing operations is one example of how inventory turnover affects profitability; The higher the inventory turnover, the more production occurs, which increases sales and profitability.

The results of this study are in accordance with the research of Andriyani & Arif which proves that high inventory turnover can increase profitability in a company (Andriyani & Arif, 2024). Inventory turnover at the CV Cita Mandiri company, Junrejo District, Batu City, such as providing money for product activities and detailing production needs optimally. The benefits of inventory turnover are that it can reduce the risk of losses arising from wasteful production costs, prevent the risk of losses due to price reductions, be able to optimize production according to its minimum limit and reduce the use of investment in warehouse equipment that is not

needed, prevent the risk of fraud that may occur in production, and be able to know the level of product demand.

Inventory is a number of goods that must be provided by a company in a certain place to meet production needs. Inventory turnover is a ratio that shows how often a company's inventory is converted into sales in a certain period. Inventory turnover plays an important role in increasing profitability (Nasution, 2020). Inventory turnover shows how fast inventory turnover is in a normal production cycle, the faster inventory turnover, the faster sales run and the company is considered good at achieving profitability. Inventory is an important factor in determining the smooth operation of a business. Without adequate inventory, it is likely that the company will not be able to obtain the desired profit because the production process will be disrupted.

3. The Effect of Working Capital Turnover and Inventory Turnover on Profitability

The results of the study show that working capital turnover and inventory turnover, both separately and combined, have a significant influence on the profitability of CV Cita Mandiri, Junrejo District, Batu City. In CV Cita Mandiri, Junrejo District, Batu City, profitability is defined as having a high level of income and profitability, experiencing business development, and having a high turnover. This means that the higher the working capital turnover and inventory turnover, the more able the company will be able to support the increase in the company's profitability.

The results of this study are in accordance with the research of Widiyanto et al., which shows that the profitability of a company can be increased by increasing working capital turnover and inventory turnover, meaning that the higher the level of working capital turnover and inventory turnover, the more profitable the company will be (Widiyanto et al., 2024). The profitability of a company is important because it is the basis for management decision-making and a measure of business success, high profitability means that the company earns profits so that it can develop its business as efficiently as possible.

Research by Andriyani & Arif explains that the profitability ratio is a ratio that measures the effectiveness of overall management as indicated by the level of profit obtained (Andriyani & Arif, 2024). Profitability greatly affects the sustainability of the company, because the higher the profitability, the greater the company's ability to finance all expenses and activities that will be carried out. High profitability is known from increasing net profitability, increasing sales volume and increasing business progress. The ultimate goal that a company wants to achieve is to obtain maximum profitability or profit, in addition to other things. The implementation of working capital turnover and inventory turnover aims to maintain the company's financial balance, with high working capital turnover and inventory turnover able to increase company activities, increase sales and profitability of the company.

The implementation of working capital turnover and inventory turnover aims to maintain the company's financial balance, with high working capital turnover and inventory turnover able to increase company activities, increase sales and profitability of the company. The implementation of working capital turnover and inventory turnover aims to maintain the company's financial balance, with high working capital turnover and inventory turnover able to increase company activities, increase sales and profitability of the company.

CONCLUSION

1. Working capital turnover has a significant effect on profitability in CV Cita

Mandiri, Junrejo District, Batu City. A high working capital turnover indicates that the company carries out high operational activities, thus supporting increased profitability. Working capital turnover as the total current assets owned by the company that can be used as funds that must always be available under any condition to finance all operational activities.

2. The profitability of CV Cita Mandiri in Junrejo District, Batu City is greatly influenced by inventory turnover. Having enough inventory for manufacturing operations is one example of how inventory turnover affects profitability; The higher the turnover, the more production occurs, which increases sales and profitability.
3. The results of the study show that together/combination of working capital turnover and inventory turnover has a significant effect on profitability in CV Cita Mandiri, Junrejo District, Batu City, meaning that the higher the working capital turnover and inventory turnover are able to support the increase in the company's profitability. High profitability indicates that the company earns profits so that it can develop the company optimally.

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