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Enhancing Profitability in Retail Companies: An Analysis of Turnover, Sales Growth, and Capital Structure

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Abstract
This research seeks to unveil the influence of cash turnover, inventory turnover, receivables turnover, sales growth, and capital structure on the profitability of retail trade sub-sector companies listed on the Indonesia Stock Exchange during the 2019-2023 period. The study was conducted to determine how retail operations generate profitability. The total sample of this study is 21 retail sub-sector companies through purposive sampling, with a 5-year observation period from 2019-2023. So, there are 105 sample financial performances used in this research. The analysis tool is E-views 12 with the panel data approach. Random Effect Model is selected because it meets the criteria for BLUE test panel data. Cash (CTO) and inventory turnover (ITO) are two variables that cannot meet the effect on profitability, meanwhile the receivable turnover (RTO), sales growth (SGR) and capital structure proxied by DER can affect profitability partially. The simultaneous testing shows that cash turnover, inventory turnover, receivables turnover, sales growth, and capital structure have a significant effect on profitability.

***Keywords**: Cash turnover, Inventory turnover, Receivables turnover, Sales growth, Capital structure, Profitability*

INTRODUCTION

Business competition amid the economy is getting higher, especially in the retail sector, which has performed quite well in the last few periods (Lasol et al., 2023). The sustainability of the retail industry provides a strategic contribution to the Indonesian economy, contributing 12.96% to GDP in 2024 (Airlangga Hartarto, 2024). Retail is an industry that sells the product directly to consumers (B2C) to meet the consumers' needs. The large number of populations more than 270 million, Indonesia has a very large market potential. The market value of the retail sector reached USD 46.35 billion in 2022 and is projected to grow to USD 71.89 billion in 2031 (Ministry Of Trade Of The Republic Indonesia, 2023). The growth projection in market value reflects the potential for new business players to enter.

The entry of new competitors into the retail industry can increase increasingly high business competition. As a sector that focuses on product sales, retail companies must continuously improve their sales performance over time to remain compititive. Based secearch by (Bitasari et al., 2024) the retail sales growth rate in 2020 showed a negative value (-11.58%), in the following year it increased to 21.02%. However, in the next 2 years Although sales growth is still positive, growth is lower than the previous period. According to (Bitasari et al., 2024) this happened because of the Covid-19 pandemic, shifting consumer shopping behavior on e-commerce platforms which caused a declining retail sales growth rate.

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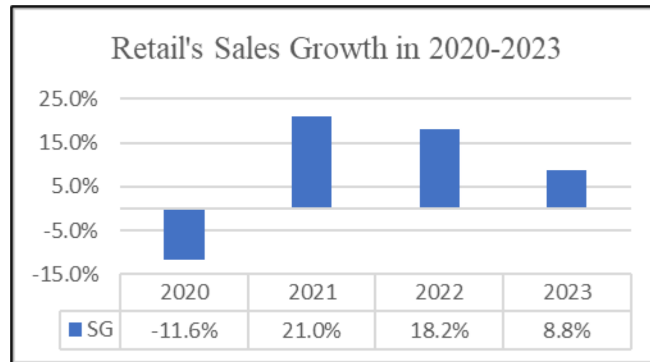

Figure 1 Retail's sales growth, source: Bitasari (2024)

As a sector focused on product sales, declining sales in retail can lead to a decrease in the company's profits. Although people still require household consumer goods during difficult times such as a pandemic, figure 1 shows a decline in sales growth (Bitasari, 2024). Business operational and financial strategies need to be improved to attain the company's objectives of generating profit as a measure of success. To evaluate the company's success, it is essential to measure financial performance to determine its position and achievements (Ifa & Nur'aidawati, 2023). Profitability ratio that provides a positive signal regarding the company's capacity to produce financial gains. One indicator measuring profitability is the Return on Assets (ROA) ratio. This ratio shows how appropriate the company's assets are to generate profits. The following is the average ROA of retail sector companies in 2019-2023.

Table 1 Comparison of Return on Asset Retail and FnB.

Period	ROA Ritel	ROA FnB
2019	5.56%	8.01%
2020	-2.46%	5.23%
2021	1.43%	1.40%
2022	4.69%	1.24%
2023	3.59%	7.03%
ROA Growth	-8%	-3%

Source: idx.co.id, 2024 (data processed)

Compared to the ROA of other sectors, including the food and beverage sector, which also plays a role in meeting consumers basic needs, the table shows that during the same period (2019-2023), the ROA growth of the retail sector was worse than that of the food and beverage sector. This serves as sign that weaker performance in the retail sector. The chairman of the Indonesian Retail Entrepreneurs Association (APRINDO), Roy, stated that in 2020 retail companies closed 4-5 outlets per day which caused by the covid-19 pandemic. In 2021, showing improvement in retail's performance, around 1-2 retail stores closed per day (Kompas). In 2022 it continued to increase due to the impact of the revocation of several regulations that limit consumer mobility. According to Roy, the weakening retail performance amidst Indonesia's improving However, a decline occurred in 2023, though it was not significant, amounting to an 18% decrease from the previous economic conditions was due to a decrease in purchase volume due to fluctuations in the price of goods. Therefore, the company must improve its performance.

Efforts to improve company performance require companies to implement good financial practice strategies. With good financial practices, companies can achieve operational efficiency, increase profits, and company sustainability. Profitability can be achieved by a company by utilizing cash, inventory, and receivables (Dhahabiyyah & Amanah, 2023). Cash turnover and inventory turnover are indicators of success in selling their merchandise and converting cash into company profits (Aprilia, 2024). (Syahwildan & Damayanti, 2020) Retail receivables turnover

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management also needs to be considered considering that retail companies also act as wholesalers who carry out sales on credit to buyers or distributors.

As a trading sector, sales success can offer insights into how well the company is performing. (Syailendra et al., 2024) Sales growth is the company's success in increasing sales from the previous period is measure of the company's achievement, the higher the sales level, the greater the profitability of the company. Retailers make sales acquisitions in an effort to increase profits, but every business operation requires funding through debt which is used as capital structure (Safira et al., 2024). Debt can be used as a source of funding to increase profits for product procurement and business expansion.

Previous research by (Arman et al., 2024) on 16 retail companies for the period 2020-2022 stated that The rotation of cash and receivables exhibited a notable positive impact on profitability, whereas the movement of inventory showed no meaningful influence. (Aprilia, 2024) Stated the movement of cash within the company showed no meaningful impact on profitability, whereas the circulation of inventory exhibited a notable adverse influence on prfitability. (Sianturi, 2020) Research on a retail company stated that inventory turnover results affected profitability, whereas the frequency at which receivables are converted into cash showed no discernible influence on a company's profitability.

Research on retail's sales growth doing by (Syailendra et al., 2024) declare that An increase in sales growth substantially contributed to enhancing profitability. Meanwhile (Novi & Naryoto, 2024) mentioned that sales growth exerted a substantial adverse impact on profitabiity. Sales growth did not affect profitability by (Lailia et al., 2024). Research on retail's capital structure, conducted by (Lasol et al., 2023) and (Hermawan & Permada, 2024) mentioned the company's profitability experiences a downturn due to the influence of its capital structure. The other resulted by (Ichsani & Situmorang, 2022; Kibtiyah & Maryanti, 2022) finding the capital structure cannot met affect profitability's company.

There are mixed results from previous studies that encourage further research. The findings of this study are anticipated to enhance and support previous research by the finance data from the 2019-2023 period. This research uses signaling theory to analyze how the financial factors being examined provide signals to investors, and how management attempts to improve profitability through the management of assets and the capital's company uses agency theory. So, this study will examine the effect of cash turnover, inventory turnover, receivable turnover, sales growth, and capital structure on profitability in retail trade sub-sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

LITERATURE REVIEW

Signaling Theory

The company's released financial statements serve as a valuable source of insight for both internal and external stakeholders (Haris et al., 2024). Signaling theory informs about the realization of the goals and desires of the owner which are reflected in the decisions made by the manager (Cahyana & R, 2020). A company with good performance will be motivated to communicate its performance through its annual report to potential investors (Reski et al., 2020).

High profitability provides a good signal for the company in managing management, and the company is considered capable of generating profits (Farika & Dewi, 2023). Contradictory, low profitability is a bad signal, this suggests that the company has yet to fully maximize its profit-generating potential. The optimal management of cash, inventory, receivables, and high sales growth are positive signals received by potential investors. The company is considered effective in managing cash, inventory, and receivables, while the increase in sales indicates the company's success in selling its products as an effort to enhance its profitability.

Haris (2024) mentions that the signaling theory also shows the use of capital structure, growth strategy, and profitability management to provide signals regarding the company's performance prospects. In the context of capital structure, there are two sides to the signal that investors may receive. A company with high debt does not necessarily have high profitability, and conversely, a low level of debt does not necessarily lead to high profitability. High debt ratio is

considered a bad signal because investors perceive the company as having high risk (Charulina et al., 2023). However, (Ahmed et al., 2024) states that there is literature suggesting that an increase in debt level can generate a positive signal because investors believe that if a company is able to take on debt, it is considered capable of repaying it.

Agency Theory

Agency theory explores the dynamic between stakeholders, who act as principals, and management, who serve as agents tasked with overseeing and executing the company's operational activities (Jensen & Meckling, 1976). The relationship between the principal and the agent can lead to problems due to differing objectives. Essentially, both aim to achieve prosperity, but conflicts arise when the principal desires an increase in wealth and prosperity for the shareholders, while the agent seeks to enhance the welfare of the managers themselves. Company agents will take strategic actions to enhance overall business performance in order to obtain compensation and positions (Brigham & Houston, n.d.). The conflict increases as the principal cannot monitor the manager's daily activities, while the manager has better information regarding the company's performance and prospects (Aryanto et al., 2021). The principal requires the agent to be accountable for managing the company through reports. However, due to differing motivations, the agent may take actions to engage in earnings management to meet the principal's expectations and demands. This makes the financial statements reported no longer 100% reliable (Herbowo, 2024).

The agent will receive compensation if the company is able to deliver good performance. The agent is required to produce good company performance. Good company performance can be achieved through efficient management of cash, inventory, receivables, and high sales growth, which are indicators of improved performance by the agent in the company's operations. When the agent, entrusted with overseeing the company's operations, effectively manages business activities and fulfills the principal's expectations in generating profitability, the potential for agency conflicts within their relationship diminishes (Kurniawan et al., 2022).

In the context of using capital structure to enhance profitability, there is a policy that needs to be considered, where the combination of equity and debt is expected to provide maximum benefits to the company's performance (Herbowo, 2024). Within this framework, debt serves as a strategic mechanism for the principal to restrain managerial opportunism, as the necessity of regular interest payments compels management to enhance operational efficiency and drive the company's profitability (Fitriyani et al., 2024). With the presence of debt, it will control the excessive use of cash flow or overinvestment carried out by the agent or company management (Aryanto et al., 2021). If the agent can utilize the debt effectively, it will meet the expectations and demands of the principal, thus reducing the agency conflict between the agent and the principal.

Profitability

Profitability represent a metric to determine a company's ability to generate profits with the resources it has (Arman et al., 2024). This research employs the Return on Asset (ROA) ratio to measure profitability. The company's profitability serves as a lens to foresee promising opportunities in its future trajectory. This ratio demonstrates the efficiency of a company's asset utilization in generating profits (Hermawan & Permada, 2024). Study by Hermawan (2024) mertic of ROA is derived by measuring the precentage proportion of net profit against the total assets employed by the company.

$$\text{Return On Asset (ROA)} = \frac{\text{Net profit}}{\text{Total Asset}} \times 100\%$$

Cash Turnover

Cash turnover is a ratio that determines the amount of cash available to fund company operations through sales proceeds. Cash turnover is used to determine the effectiveness of cash use in a period. Higher cash turnover indicates greater efficiency in the company's cash management (Fadhillah et al., 2024). Cash turnover is assessed by evaluating the relationship between sales and the mean cash level held by the company in a period (Aprilia, 2024).

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$$\text{Cash Turnover (CTO)} = \frac{\text{Sales}}{\text{Average Cash}}$$

Inventory Turnover

The turnover of inventory serves as a measure utilized to see the frequency of funds invested in rotating inventory (Lukman & Jusnia, 2024). The greater the ratio, reflected more efficiently the company moves inventory out of the warehouse. A higher turnover rate reduces the need for working capital, enabling the company to achieve greater profitability (Yana et al., 2023). Inventory turnover is measured by evaluating how the cost of goods sold aligns with the average inventory levels (Sianturi, 2020).

$$\text{Inventory Turnover (ITO)} = \frac{\text{Cost of Goods Sold}}{\text{Average of Inventory}}$$

Receivable Turnover

Receivables turnover is a metric used to evaluate how effectively a company collects their outstanding receivables that have been issued (Fadhillah et al., 2024).. High ratio shows the faster the process of returning funds invested as receivables (Yana et al., 2023). The way to determine the receivables turnover ratio is to compare sales with the average receivables given by the company in a period (Akmalia, 2020).

$$\text{Receivable Turnover (RTO)} = \frac{\text{Sales}}{\text{Average of Receivable}}$$

Sales Growth

The annual rise in sales over time is referred to as Sales Growth. Sales growth reflects the company's increasing performance (Lailia et al., 2024). A company's profitability increases in tandem with its accelerated sales growth (Syailendra et al., 2024). Sales growth is Calculated by taking the difference between the current and previous period's total sales, then expressing this change as a proportion of the prior period's sales. (Haris et al., 2024).

$$\text{Sales Growth (SGR)} = \frac{\text{net sales } (t_1 - t_0)}{\text{net sales } t_0} \text{ x } 100\%$$

Capital Structure

Capital structure reflects how a company balances its reliance on borrowed funds and its own financial resources, which is a company management strategy to meet the company's operational funding (Kibtiyah & Maryanti, 2022). Kibtiyah (2022) also states that the decision to use a capital structure using debt to generate profits can be seen through the capital structure used. Capital structure is often evaluated using the debt-to-equity ratio (DER) as a primary benchmark. By juxtaposing total debt against total equity, the DER emerges as a quantifiable metric.

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Hypothesis Development

The Effect of Cash Turnover on Profitability

Cash, according to (Akmalia, 2020) is the most liquid asset and is capable of fulfilling the company's operational needs. Profitability is significantly uplifted in alignment with the increasing efficiency of cash turnover, as companies are able to use cash for sales activities, cover losses, pay debts, and optimize operating costs for the company (Yana et al., 2023). Cash turnover at retail company by (Reivaldo et al., 2022) has a large volume sales transactions every day, resulting in high cash turnover, and in line with the high value of earning generated.

Based on signaling theory high cash turnover indicates an increase in the company's profitability, sending a positive signal to investors based on the company's financial report (Reski et al., 2020). Cash turnover can enhance profitability because, by utilixing cash, the company's operational activities can run (Gitayuda & Fitria, 2023). Based on agency theory, if cash turnover is able to improve profit, management is considered efficient in managing cash, which can help avoid or reduce agency conflicts between the agent and principal (Kurniawan et al., 2022).

H1: Cash turnover has a significant positive effect on profitability

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The Effect of Inventory Turnover on Profitability

The role of inventory in retail as a trading company is very important because inventory is one of the current assets that plays a crucial role in the operations of a trading company, which is continuously acquired, processed, and then resold (Anshari & Linda, 2020). Inventory turnover is a significant positive effect to the company's ability to make profits (Sianturi, 2020). According to Sianturi's research, the significantly positive affect between inventory turnover and profitability is due to the company's ability to minimize losses from damaged, expired, or lost goods. (Lukman & Jusnia, 2024) When the inventory turns quickly, the inventory costs incurred by the company can be minimized.

Based on signaling theory high turnover of inventory serves a good signal to investors and stakeholders, indicating that the company has been efficient in managing the inventory for sales, leading to increased profits (Saputri et al., 2024). The demand for companies to improve profitability, as raised in agency theory, can be achieved if inventory efficiency is attained, thus avoiding or reducing agency conflicts.

H2: Inventory turnover has a significant positive effect on profitability

The Effect of Receivable Turnover on Profitability

Retail companies often act as wholesalers, offering their sales on credit, which leads to accounts receivable (Syahwildan & Damayanti, 2020). The company must effectively collect its receivables to restore its assets, as this directly impacts cash flow and overall financial health. According to (Yana et al., 2023) profitability and receivables turnover are interconnected, displaying a strong and meaningful positive correlation. Fast turnover indicates the change of receivables into cash serving as a driving force within the company's operations to unlock profitability (Yana et al., 2023).

In signaling theory, higher the receivables turnover ratio, the positive or good signal, indicating that there is no over-investment in receivables (Sianturi, 2020). This leads to faster cash inflows from receivables collection, which in turn enhances profitability. Based on the agency theory, a high receivables turnover indicates that the faster the collection process, the better the performance reflecting the efficiency of the agent's collection efforts in converting receivable into cash that can be used in the company's operations. With this, the increase in profitability as demanded by management can be achieved and potential agency conflicts can be avoided or reduced.

H3: Receivables turnover has a significant positive effect on profitability

The Effect of Sales Growth on Profitability

Retail focused on selling their product and sales success Can offer insights into how well the company is performance. (Syailendra et al., 2024) The expansion of sales over time reflects a company's ability to enhance its revenue streams, serving as a benchmark for its overall performance. As sales volume rises, the company's profitability tends to follow suit, reinforcing its financial success. On the other hand, if a decline in sales growth indicates a decline in retail performance in selling its products. Positive sales growth is usually related to increased profitability, companies are considered to have succeeded in increasing revenue through sales levels (Syailendra et al., 2024).

Based on signaling theory, investors will perceive a good signal, as higher sales growth indicates a higher return on investment, driven by the company's increasing profitability (Novi & Naryoto, 2024). Based on agency theory, the principal will feel satisfied if the management's performance is able to achieve high sales levels, as sales levels are one of the indicators that the agent has successfully sold the company's products, thereby generating profitability (Sinaga & Ane, 2021).This is evidence that the agent or management has met the principal's expectations, thus reducing or avoiding agency conflict.

H4: Sales growth has a significant positive effect on profitability.

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The Effect of Capital Structure on Profitability

Capital structure is formed by combining the company's equity and debt. The debt-to-equity ratio (DER) reflects the comparison of a company's debt to its equity holdings. Capital structure can positively or negatively affect a company's profitability (Tangngisalu et al., 2022). In retail companies, debt can be used as a source of funding to increase profits for product procurement and business expansion to boost sales (Safira et al., 2024).

Based on signaling theory, a high debt ratio is considered a bad signal because investors perceive the company as having high risk (Charulina et al., 2023). But, contradictory statement by (Ahmed et al., 2024) States that there is literature suggesting that an increase in debt level can generate a positive signal because investors believe that if a company is able to take on debt, it is considered capable of repaying it. The company is perceived as having confidence in its ability to repay the debt it has incurred.

Based on agency theory, debt is utilized by principals to constrain opportunistic behavior of management due to the obligation to make regular interest payments, thus requiring management to improve the efficiency and profitability of the company (Fitriyanti, 2024). Debt helps control excessive cash flow usage or overinvestment by agents or company management (Aryanto et al., 2021). If the agents are able to manage the debt well, it will meet the expectations and demands of the principal, reducing the agency conflict between the agents and the principal. Capital structure can positively or negatively affect a company's profitability (Tangngisalu et al., 2022). Consequently, the hypothesis formulated is that there is a significant influence of DER on profitability, regardless of the direction of its effect.

H4: Capital structure has a significant effect on profitability.

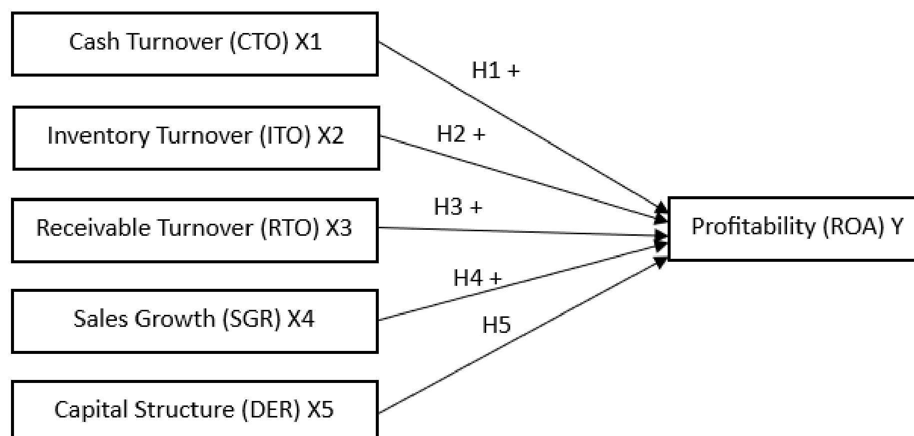

Figure 2 Conceptual framework

METHOD

A quantitative research approach from the basis of this study. The population used is companies operating and listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023 period in the retail trade sub-sector. Total populations here are 54 companies in subsector retail trade. Purposive sampling used in thie study to exemine the sample that met the category:

1) Companies listed in Indonesia Stock Exchane as a sub sector retail trade 2019-2023 period.
2) Companies publish the financial report in 2019-2023 and meet the data needs to this research.

Totals 21 companies meet the criteria and are used as samples in this study. The study utilizes secondary data comprising 105 financial reports, sourced from www.idx.go.id and the official websites of the companies under investigation. The analytical approach employs panel data regression methodology, conducted through the Eviews-12 tools. This study deliberately bypassed the classical assumption test, as noted by (Gujarati et al., 2012) which states that panel data has its model's complexity. However, (Basuki & Yuliadi, 2014; Napitupulu et al., 2021) the

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classical assumption test of panel data is only multicollinearity and heteroscedasticity. The following are the equations for all variables used in this study.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2 Descriptive Statistics

Statistics	Cash Turnover (X1)	Inventory Turnover (X2)	Receivable Turnover (X3)	Sales Growth (X4)	DER (X5)	ROA (Y)
Mean	25.85	7.50	39.19	9.15	4.75	2.56
Median	13.08	5.36	31.55	8.63	1.16	3.27
Maximum	177.09	55.11	152.78	369.78	190.31	28.28
Minimum	0.15	0.23	1.08	-85.96	0.14	-25.10
Std. Dev.	35.96	9.43	33.70	46.02	19.03	8.04
Observations	105	105	105	105	105	105

The highest cash turnover was at Catur Sentosa Adiprana Tbk (CSAP) in 2019 with a cash turnover 177.09. While the lowest cash turnover was at Sona Topas Tourism Industry Tbk (SONA) in 2021 with a cash turnover of 0.15. The average cash turnover is 25.85 with a standard deviation of 35.96.

Inventory turnover, the highest value was 55.11, recorded by Mitra Pinasthika Mustika Tbk (MPMX) in 2021. In contrast, the lowest inventory turnover was recorded by Sona Topas Tourism Industry Tbk (SONA) in 2021. The average inventory turnover was 7.5, with a standard deviation of 9.43.

The receivable turnover variable showed a maximum value of 152.78, achieved by Ramayana Lestari Sentosa Tbk (RALS) in 2019. Meanwhile, PT Industri dan Perdagangan Bintraco Dharma Tbk (CARS) recorded the lowest receivable turnover in 2020, with a value of 1.08. The average receivable turnover was 39.19, with a standard deviation of 33.7.

The highest sales growth was recorded by Sona Topas Tourism Industry Tbk (SONA) in 2022, reaching 369.78%. The minimum value was also recorded by the same company (SONA) in 2020, at -85.96%. The average sales growth was 9.15%, with a standard deviation of 46.02.

Debt to Equity Ratio (DER), the highest value was 190.32, recorded by Matahari Department Store Tbk (LPPF) in 2023. Meanwhile, the lowest DER was recorded by Sona Topas Tourism Industry Tbk (SONA) in 2021, with a DER of 0.14. The average DER was 4.75, with a standard deviation of 8.04.

The Return on Assets (ROA) variable showed the highest value of 28.28%, recorded by Matahari Department Store Tbk (LPPF) in 2019. Meanwhile, the lowest ROA was observed in Hero Supermarket Tbk (HERO) in 2020, with a value of -25.1%. The average ROA was 2.56%, with a standard deviation of 8.04.

According to Birken and Curry (2021), ROA value of 5% or higher is considered good. Based on the mean ROA value in the descriptive statistics table, the average ROA is only 2.56%, which is still considered low. This indicates that the profitability of the retail sector during the 2019-2023 period was relatively low compared to the standard deemed good.

Multicollinearity

Table 3 Multicollinearity Test

Variable	Coefficient	Uncentered	Centered
	Variance	VIF	VIF
C	6.703837	16.06265	NA

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X1	0.335939	6.483875	1.304498
X2	0.508074	4.015644	1.105625
X3	0.340768	9.481172	1.030585
X4	0.023263	1.223789	1.056892
X5	0.318784	1.319579	1.230054

All variables in this research show VIF values < 10, indicating that there is no problem with multicollinearity. This shows that each predictor variable used in this study has no correlation between variables.

Heteroscedasticity

Table 4 Heretoscedasticity Test

F-statistic	**2.220789**	**Prob. F(5,99)**	**0.0581**
Obs*R-squared	10.58921	Prob. Chi-Square(5)	0.0602
Scaled explained SS	21.31369	Prob. Chi-Square(5)	0.0007

Chi-square Prob. value exceeding 0.05 signifies the absence of heteroscedasticity issues based on the Breusch-Pagan test. This implies that the residuals associated with each predictor variable exhibit a stable and consistent distribution pattern.

Determination of the Panel Data Regression Model

The decision-making process for using the best panel data model is carried out through three main tests: the Chow test, the Hausman test, and the Lagrange Multiplier test. Presented below are the outcomes of this in-depth analysis.

Table 5 Determination Panel Data Model

Determination Of Panel Data Model			**Model Tested**	**Selected Model**
Chow test	Cross-section F	0	FEM vs CEM	FEM
Hausman test	Cross-section random	0.09	FEM vs REM	REM
Lagrage multiplier	Breusch-Pagan	0	REM vs CEM	**REM**

After conducting a comprehensive sequence of panel data regression model selection tests, the Random Effect Model (REM) emerged as the optimal choice.

Panel Data Regression

Table 6 Panel Data Regression

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-8.47896	3.116061	-2.721049	0.0077
X1	1.026993	0.758114	1.354669	0.1786
X2	0.282896	1.02207	0.276787	0.7825
X3	2.434927	0.769946	3.162465	0.0021
X4	0.618095	0.125717	4.916567	0.0000
X5	-2.64491	0.68278	-3.873741	0.0002

Based on the Random Effect Model (REM) table above, the following regression equation is obtained:

ROA (Y) = -8.4789+ 1.0269* CTO (X1) + 0.2828* ITO (X2) + 2.4349* RTO (X3) + 0.6180* SGR (X4) - 2.6449* DER (X5) + ε

Information:
ROA (Y) = Return on Asset
CTO (X1) = Cash Turnover
ITO (X2) = Inventory Turnover

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RTO (X3) = ReceivableTurnover
SGR (X4) = Sales Growth
DER (X5) = Debt to Equity Ratio
ε = Other factors

Partial Test (T Test) Result

1. **The Effect of Cash Turnover on Profitability**

Based on the partial test, finding output that coefficient for cash turnover (X1) had positive (+) value 1.0269. Showing that every increase in the cash turnover variabl by 1 unit will increase the ROA by 1.0269 units. The $T_{statistic}$ value 1.3546 < T_{table} 1.9842 with probability significance 0.1786 > 0.05, so **H1 is rejected**, concluding that cash turnover cannot impacted on ROA (Y). Retail companies typically have a short cash cycle, as customer payments are often received immediately. The retail sub-sector includes the supermarket and department store sub-industries, characterized by daily high transaction volumes that drive elevated cash turnover. However, the products offered typically yield low profit margins, particularly when discounts or promotional offers are implemented. This highlights that, despite the high turnover, it does not always lead to a significant boost in profitability.

Based on signaling theory, cash turnover does not provide a strong enough signal for investors or stakeholders, and cash turnover is not a primary aspect that investors need to focus on because, based on the results, high cash turnover does not impact the increase in company profitability. According to agency theory, the management's demand to achieve efficiency in cash usage has not been fully optimized, as statistical results show that the inventory turnover does not significantly increase the company's profitability. Therefore, the agents, as the management running the company, need to improve the effectiveness of inventory usage to enhance profits, so that agency conflicts can be avoided or minimized. This research resonates with (Aprilia, 2024) which states that the movement of cash within the company does not exhibit a notable influence on its profitability. Cash developments fluctuate each year, with cash being used to cover uncollectible receivables, resulting in cash turnover having no impact on profitability growth (Akmalia, 2020).

2. **The Effect of Inventory Turnover on Profitability**

Based on the partial test, finding output that coefficient for inventory turnover (X2) had a positive (+) value 0.2828. Showing that every increase in the inventory turnover variable by 1 unit will increase the ROA by 0.2828 units. Inventory Turnover (X2) has a $T_{statistic}$ value of 0.2767 < T_{table} 1.9842 and with probability significance 0.7825 > 0.05, so **H2 is rejected**. Concluding that this variable has an insignificant effect on ROA (Y). To sell hard-to-sell inventory, retail companies often apply discounts or sell goods at lower prices to accelerate the sale of goods, which results in smaller revenues than they should because the profit margin from sales is smaller. Inventory turnover that is too high can also cause out-of-stock or product availability, while inventory turnover that is too slow, also indicates a buildup of goods or products which causes an increase in storage costs.

Based on signaling theory, which conveys signals in the form of company performance information, inventory turnover does not provide significant information regarding its impact on profitability. This indicates that inventory turnover is not a primary factor influencing the profitability of retail companies. According to agency theory, management's demand for efficient inventory management has not yet been fully optimized, as the statistical results show that the rotation of inventory fails to produce a meaningful boost in the company's profitability. Therefore, the agents, as the management running the company, need to improve the effectiveness of inventory use to increase profits, thereby minimizing or avoiding agency conflicts. Although inventory turnover can affect storage costs, other factors are more dominant in generating profitability (Syailendra et al., 2024). Similar research by (Arman et al., 2024) The lack of a significant impact from this variable suggests that the approach to managing inventory is marked by inefficiency.

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3. The Effect of Receivable Turnover on Profitability

Based on the partial test, finding output that coefficient for receivable turnover (X3) had a positive (+) value 2.4349. Showing that every increase in the receivable turnover variable by 1 unit will increase the ROA by 2.4349 units. Receivable Turnover (X3) has a $T_{statistic}$ value of 3.1624 > T_{table} 1.9842 and with probability significance 0.0021 > 0.05, so **H3 is accepted**. The conclusion that the turnover of receivable has a positive significant effect on ROA (Y). The findings of this analysis show that the retail company's proficiency in swiftly recovering receivables extended to creditors. The quicker a company recovers its debt the sooner receivables transform into cash that can be utilized to sustain its operations.

Based on signaling theory, these results will generate a good signal both externally and internally for the company. The company will be perceived as effective in collecting its receivables, allowing the cash tied up in receivables to be converted into company cash that can be used to support its operational activities. Based on agency theory, the higher the receivables turnover, the faster the collection process, indicating that the agent's performance in collecting receivables efficiently can convert accounts receivable into cash that can be used in the company's operations. With this, the increase in profitability, which is a management demand, can be achieved, and agency conflicts can be avoided or reduced. Companies that collect their accounts receivable quickly and efficiently can convert these receivables into cash that can be used for company operations (Herison et al., 2022). (Arman et al., 2024; Fadhillah et al., 2024) state that high or low receivables turnover can significantly affect the profitability generated by the company.

4. The Effect of Sales Growth on Profitability

Based on the partial test, finding output that coefficient for sales growth (X4) had a positive (+) value 0.6180. Showing that every increase in the sales growth variable by 1 unit will increase the ROA by 2.4349 units. Sales growth (X4) has a $T_{statistic}$ value of 4.9165 > T_{table} 1.9842 and with probability significance 0.0000 > 0.05, so **H4 is Accepted**. The conclusion is that growth in sales has a positive significant effect on ROA (Y). Sales growth means an increase in the number of sales that occurred from the previous period. The retail sector is an industry that sells its products directly to consumers. Sales certainly have a strong influence on the sustainability of retail companies. Increasing sales also indicates an increase in the company's cash. An increase in a company's cash results in an expansion in the company's pool of resources that can be used to fund operations.

Based on signaling theory, success in increasing sales serves as an indicator that potential investors may consider, as it represents a good signal being communicated. Therefore, it is essential to pay attention to the success of sales growth as an indicator in evaluating the company's performance. According to agency theory, principals will be satisfied if the management's performance is able to generate sales levels, because sales level is one of the indicators that agents are able to sell their products, thus generating profitability. This is evidence that the agent or management can meet the expectations or demands of the principal, thereby reducing or avoiding agency conflicts through sales growth. This study finds reinforcement from prior studies conducted by (Syailendra et al., 2024) and (Farika & Dewi, 2023). Syailendra mentions that increases in sales growth exert a markedly positive influence, signifying that elevated sales levels correspond to enhanced profitability achieved by the company. The opposite statement is stated by (Novi & Naryoto, 2024), which states that Increased growth can have the opposite effect, namely decreased profitability, if the increase in costs incurred in an effort to increase sales increases.

5. The Effect of Capital Structure on Profitability

Based on the partial test, finding output that coefficient for DER (X5) had negative (-) value -2.6449. Showing that every increase in the sales gr variable by 1 unit will decrease the ROA by -2.6449 units. DER (X5) has a $T_{statistic}$ value of -3.8737 < T_{table} -1.9842 and with probability significance 0.0002 < 0.05, so **H5 is accepted**. The conclusion that the DER can impacted significantly on ROA (Y). Debt can be used as capital to carry out the sustainability of the company. On the other hand, when a company's debt becomes excessive, the higher debt and interest obligations it faces can diminish its profitability.

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Based on signaling theory, capital structure convey insights into the company's financial health. According to agency theory, the use of debt is considered to affect the performance of the agents who are the management running the company's operations. In the retail sector, debt is used to meet the company's inventory needs, as at certain times, such as holidays or festive seasons, companies require more product stock. This inventory need can be fulfilled by using debt. Debt is also utilized by retail companies for business expansion to increase sales, which is expected to enhance profitability. However, the use of debt must be cautious, as excessive debt can lead to larger interest payments to creditors. Research by (Herbowo, 2024; Hermawan & Permada, 2024; Lasol et al., 2023) highlights that capital structure significantly influences profitability.

Simultaneous Test (F Test)

Table 7 Simultaneous Test

F-statistic	**11.2029**
Prob(F-statistic)	**0.0000**

In the table above the prob. F Statistics < 0.05 and F value of the table with FINV(0.05; 5; 99) is 2.3062 < F is calculated 11.2029, which means that the F statistic > Ftable, this highlights that all predictor combined influence of these variables plays a crucial role in significantly impacting the response variable.

Determinant Coefficient

Table 8 Determinant Coefficient

R-squared	**0.3613**
Adjusted R-squared	**0.3291**

The Adjusted R-square value is 0.3291, which means that the predictor variable (X) has an effect of 32.91% on the response variable (Y). At the same time, 67.09% stemmed from factors beyond the scope of this research

CONCLUSIONS

This research analyzes the role of predictor variables cash turnover, inventory turnover, receivables turnover, sales growth, and capital structure on the response variable of profitability, proxied by Return on Assets (ROA), within companies in the retail trade sub-sector listed on the Indonesia Stock Exchange during the 2019-2023 timeframe. The study uses panel data testing with the Eviews-12 analysis tool. The findings showed that cash and inventory turnover have an insignificant impact on profitability. However, receivables turnover and sales growth significantly and positively influence profitability. Capital structure, proxied by DER, significantly affects profitability in retail companies. Furthermore, all predictor variables used in this study significantly affect profitability in retail sector firms registered on the Indonesia Stock Exchange during the 2019-2023 timeframe.

Based on signaling theory, receivables turnover, sales growth, and capital structure provide strong signals to external parties and stakeholders about the company's performance. Meanwhile, the less significant impact of cash and inventory turnover on profitability shows that these variables do not provide a strong signal regarding company performance.

Based on agency theory, agents, as the operational managers of the company, are considered successful in managing receivables and sales growth, which can improve profitability as desired by the principals. Capital structure also impacts management performance, thereby influencing the company's performance. The demands made by the principals are fulfilled by the agents, thus reducing the conflict between principals and agents. However, cash and inventory management needs improvement so that the benefits gained are greater and able to enhance profitability. With increased profitability, the principal’s demand for higher profits is met, and agents or management can enjoy the compensation provided for successfully increasing profitability.

For future researchers, it is important to note that 67.09% of the factors influencing profitability in this study remain unexplored. This highlights the multifaceted nature of profitability in the retail sector. Future investigations could explore additional variables, such as the impact of inflation, government policies, or other relevant elements to deliver a more holistic perspective understanding and enrich the research outcomes.

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