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THE EFFECT OF INVENTORY TURNOVER ON RETURN ON INVESTMENT (ROI) IN PG. RAJAWALI II CIREBON

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ABSTRACT

Background: One of the main elements of working capital in a company is inventory turnover. Inventory is an asset that will continue to rotate and change continuously. A company must pay attention to this inventory turnover because it will indirectly have an impact on the development of the company.

Aim: This study aims to determine the effect of inventory turnover on Return On Investment in PG. Rajawali II Cirebon.

Method: The method used is the descriptive verification method. The population used in this study is inventory turnover data and Return On Investment (ROI) data from 2015 to 2020, the research sample is inventory turnover data and PG Return On Investment (ROI) data. Rajawali II Cirebon for the last six years (2015–2020) taken by purposive sampling technique.

Findings: The results of the simple linear regression test obtained the equation = 21.215 + 0.303 X; This means that every increase in inventory turnover so far has increased the number of returns on Investments. From the results of the correlation test, the value of r = 0.868 means that the amount of inventory turnover has a very strong relationship with Return on Investment. The results of the determination test show that Return on Investment is influenced by inventory turnover of 75.30%, while the remaining 24.70% is influenced by other factors not examined. Based on the results of hypothesis testing using the t-test, the account value is 3,495, and stable at a = 0.05 and DK = 4 is 2.132; which means Ho is rejected or Ha is accepted. This means that inventory turnover has a positive and significant effect on the return on investment in PG. Rajawali II Cirebon..

KEYWORDS *Inventory Turnover; Return On Investment*

INTRODUCTION

One of the main elements of working capital in a company is inventory turnover. Inventory is an asset that will continue to rotate and change continuously. A company must pay attention to this inventory turnover because it will indirectly have an impact on the development of the company (Demeter & Matyusz, 2011). Explains that inventory turnover is a ratio used to measure how many times the funds invested in this inventory rotate in one period. So one of the company's performance can be seen in inventory turnover. Inventory turnover in the company is influenced by several factors, namely the level of sales, the technical nature and length of the production process, and the durability of the final product (Wajo, 2021). Inventories in a company will always change, so a manager is needed to be careful in managing and determining the amount of inventory so that there is no excess or shortage of inventory (Bonney & Jaber, 2011). If the inventory is too large, then the costs borne by the company for maintenance and storage in the warehouse increase and increase the risk of damage due to storage that is too long, thereby reducing the quality and profits of

the company. However, if the company experiences a shortage of inventory, it will result in a delay in the production process so that the average production cost increases and suppresses the company's profit (Forrester, 1968). To prevent this, inventory turnover is very necessary for a company. Inventory turnover serves to determine the company's inventory that is sold and replaced within a certain time. Low inventory turnover indicates weak sales while high inventory turnover indicates influential sales (Gaur & Kesavan, 2015).

The company that will be the object of this research is PG Rajawali Cirebon. The company belongs to the Manufacturing industry sector which carries out the production process starting from purchasing raw materials and processing raw materials, to the form of finished goods in the form of tiles that are ready to be marketed, to obtain the maximum possible profit. The purpose of this study is to determine the effect of inventory turnover on Return on Investment (ROI). Cash turnover is the ratio between net sales and the average amount of cash (Eryatna, Eltivia, & Handayawati, 2021). Explain the inventory that forms the relationship between product production and sales (Blinder, 1986). Explains that high inventories allow companies to meet sudden demands, but high inventories will cause companies to require even greater working capital. State inventory can be classified into supplies, and raw materials. work in process and finished goods. According to (Panigrahi & Jena, 2020). Inventory turnover is a ratio used to measure how many times the funds invested in this inventory rotate in one period. It can also be interpreted that inventory turnover is a ratio that shows how many times the number of inventory items is replaced in one year.

For a company, Return on Investment (ROI) is an important thing in a company. According to (Walasek & Barszcz, 2017). Return on Investment is a measurement of the company's overall ability to generate profits with the total amount of investment made by the company. So this ROI can be used to measure the effectiveness of the company with all available assets in the company. According to (Hambrick & Schecter, 1983). Several factors affect ROI, namely: 1) depreciation, 2) Asset book value, 3) Transfer pricing, 4) time and 5) Company condition.

The uses of ROI according to (Li, Wei, & Zhao, 2017) include: 1) to measure the use of working capital, product efficiency, and efficiency of the sales department, 2) to be used as a comparison of the efficiency of the use of capital in companies with other similar companies, 3) to measure the efficiency of various actions taken by the company. carried out by divisions/sections, 4) measuring the profitability of each product produced by the company, and 5) for planning purposes.

METHODS

The method used in this research is the descriptive verification method (Ramdhani & Ramdhani, 2014). Explains that the descriptive method is a problem formulation related to the question of the existence of independent variables, either only on one or more variables (stand-alone variables). While the verification method is a research method that aims to determine the causal relationship between variables through a test through a statistical calculation, the results of the verification show whether the hypothesis is rejected or accepted (Golfarelli, Maio, & Malton, 1997). To find out the relationship that occurs between inventory turnover and Return On Investment (ROI), then the data is processed using a simple linear regression test, correlation test, the test of determination (Hu & Plant, 2001).

Explain that the regression test is used to prove the extent of the influence of the independent variable on the dependent variable, the correlation test aims to measure the functional relationship between the independent and dependent variables, while the determination test aims to determine how much influence between the independent and dependent variables dependent variable (Riyanto, Sutrisno, & Ali, 2017). To test the hypothesis is done by comparing the sig value with the error rate or by comparing the t count with the t table. Data analysis and hypothesis testing were carried out with the help of SPSS version 23 software..

RESULTS AND DISCUSSION

Based on the results of statistical tests conducted regarding the effect of inventory turnover on return on investment at PG Rajawali Cirebon, it can be explained in the table below:

1.Simple Linear Regression Test

A simple linear regression test was used to determine the functional relationship between inventory turnover and return on investment. The results of the simple linear regression test are presented in table 1 below:

Table 1. Results of Simple Linear Regression Analysis

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	21,215	4,987		4,254	,013
	Rotation preparation	,303	,087	,868	3,495	,025

a. Dependent Variable: Return On Investment

From table 1, the regression coefficient values a = 21.215 and b = 0.303 so that the regression equation = 21.215 + 0.303X is obtained. From this equation, it can be explained that any increase in inventory turnover in PG. Rajawali II Cirebon has so far increased return on investment of 0.303 X.

2. Correlation Test

A correlation test is used to determine the close relationship between inventory turnover and return on investment. The results of the correlation test analysis are presented in table 2:

Table 2. Hasil Analisis Korelasi

Correlations

		Rotation preparation	Return On Investment
Rotation preparation	Pearson Correlation	1	,868*
	Sig. (2-tailed)		,025
	N	6	6
Return On Investment	Pearson Correlation	,868*	1
	Sig. (2-tailed)	,025	
	N	6	6

Correlation is significant at the 0.05 level (2-tailed).

Based on table 2, the correlation coefficient (r) is 0.868. By referring to the interpretation guideline, the correlation value (r) of 0.868 means that the inventory turnover at PG. Rajawali II Cirebon has a very strong relationship with Return on Investment.

3. Coefficient of Determination Test

The coefficient of determination test is used to determine the percentage of the effect of inventory turnover on return on investment. The results of the analysis of the coefficient of determination are presented in table 3:

Table 3. Determination Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	,868[a]	,753	,692	4,76552

a. Predictors: (Constant), Perputaran Persediaan

Based on the data in table 3 the magnitude of the coefficient of determination is 75.30%, meaning that the amount of return on investment that is influenced by inventory turnover is 75.30%. While the remaining 24.70% is influenced by other variables or factors not examined in this study.

4. Hypothesis Test

The test further clarifies the results of testing the effect of inventory turnover on return on investment in PG. Rajawali II Cirebon, further testing is needed to test the hypothesis that has been stated previously. The results of the hypothesis test are presented in table 4:

Tabel 4. Hypothesis Test Results

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	21,215	4,987		4,254	,013
	Rotation preparation	,303	,087	,868	3,495	,025

a. Dependent Variable: Return On Investment

From the calculation results, it is known that the count is 3.495 and stable at a = 0.05 and DK = 4 is 2.132; this means Ho is rejected or Ha is accepted. This means that inventory turnover has a positive and significant effect on the return on investment in PG. Rajawali II Cirebon. The results of this study are in line with the results of research by Haryanti and Siti (2019: 1) which explains that inventory turnover has a positive and significant effect on Return on Investment (ROI). Meanwhile, Pratiwi and Dini (2017: 12) explain that partial cash turnover has a positive and significant effect on the profitability that will be obtained by the company. So it can be concluded that the size of the inventory turnover in a company can affect the amount of Return on Investment in the business concerned.

CONCLUSION

The results of hypothesis testing indicate that inventory turnover has a positive and significant effect on the return on investment in PG. Rajawali II Cirebon, this is because the higher the inventory turnover, the company's Return on Investment (ROI) will increase, causing efficiency in the company.

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