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The Effects of Inventory Turnover and Accounts Receivable Turnover on Liquidity

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ABSTRAK

This study aims to determine the influence of inventory turnover and accounts receivable turnover variables (X) on the liquidity of cigarette industry companies listed on the IDX in 2020 – 2022 (Y). This study employed quantitative research methods. The data collecting technique used was purposive sampling, which obtained four samples. The analysis model used was regression analysis using SPSS 2019 data processing tools. The analysis shows that inventory turnover has a positive effect on liquidity, accounts receivable turnover has a positive effect on company liquidity, and inventory turnover and accounts receivable turnover simultaneously influence company liquidity.

INTRODUCTION

Many businesses face financial difficulties and cannot carry out business operations or pay debts. Companies that do not have enough funds will almost certainly be unable to pay their debts, let alone pay their creditors on time for all of their debts as they due. Furthermore, we frequently encounter businesses facing financial difficulties and cannot pay their employees. In the long run, this problem will undoubtedly disrupt the company's business continuity and may cause creditors to lose trust. A company's inability to repay its short-term debt can be attributed to various factors. First, the company may be unable to pay its short-term debt because it lacks the necessary funds. Second, the company may not be experiencing financial difficulties. However, once the debt is due, the company must wait to disburse some other current assets, such as collecting accounts receivable, selling merchandise inventory, selling some short-term securities, etc. According to Heery (2023), liquidity ratios can be used to analyze a company's ability to repay short-term debt. Liquidity ratio measures a company's ability to meet its obligations or pay short-term debt. In other words, the liquidity ratio measures a company's ability to pay short-term debt that is about to become due. A company is considered liquid if it can pay its short-term debts as they become overdue. It is considered illiquid if a company cannot pay its short-term debt. According to Hery (2023), a company must have a sufficient supply of cash or other liquid assets that can be easily purchased and immediately converted or transformed into cash.

Inventory or current assets is the most active component of a trading company's operations, as it is constantly acquired, transformed, and resold. Inventories are a source of revenue for a company and can be used to fund the company's financial obligations, such as financing for operations or other vital activities. Every company's management must maximize inventory control through the inventory turnover rate, which evaluates how frequently funds invested in inventory are handed over in a year. If a company manages its inventory effectively, it can quickly convert inventory through sales, generating accounts receivable that are then transformed into cash when payments are received. Another approach all companies use to increase product sales is to sell products or services on credit to potential customers. Credit sales are also an option for winning the seemingly intense market rivalry, particularly in related industries. The credit sales system will create estimations in the form of accounts receivable. Following the company's credit policy, these accounts receivable will be converted into cash when the consumer pays within the

stipulated period. However, the company faces risks due to the delay in receiving accounts receivable, including the possibility of customers delaying or failing to pay accounts receivable. If this problem occurs, it will influence the degree of accounts receivable turnover and disturb the activity of increasing the company's value.

Inventory and accounts receivable must be managed properly and efficiently since these two current assets are critical components of working capital. In prior research on the effects of the operational cycle on liquidity, Yeesi Eezwita (2014) discovered that the level of accounts receivable turnover has no effect on liquidity. However, inventory turnover has a considerable effect on liquidity. Between 2010-2013, the liquidity of basic industrial and chemical companies listed on the BEI was severely impacted.

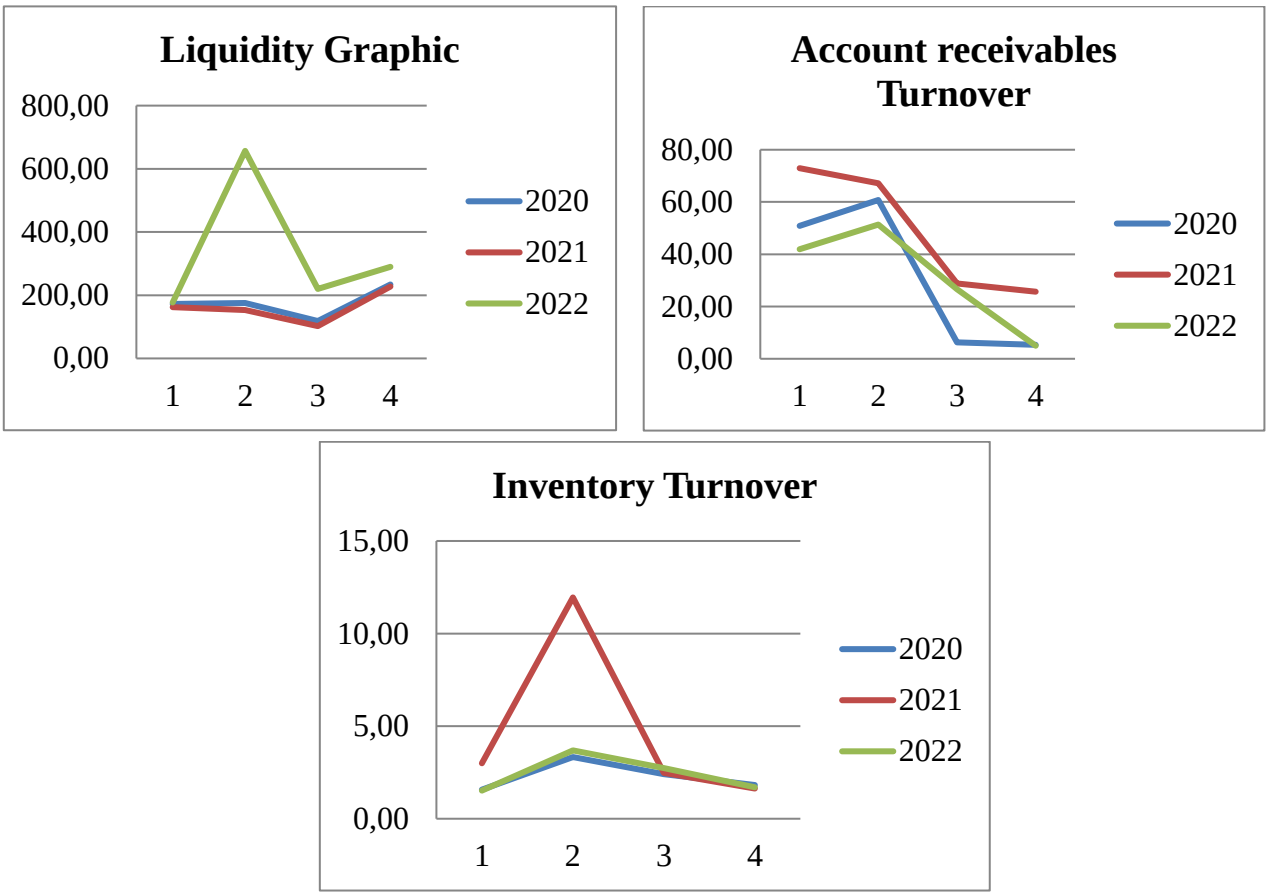
Consumer goods are typically considered a solid business in the globalization crisis because they are frequently a daily necessity for humans. In a meeting with metrotvnews.com in Jakarta, Saleh Husin stated that cigarette stocks are consumer goods with the best prospects after food and beverages. Besides, cigarette income continues to rise yearly, with IDR 140 trillion in revenue projected for the 2022 state budget. The eco-industry is one of the industries that contributes the most to the country's foreign exchange revenue. Due to excise tax income, the eco-industry has emerged as one of the state's primary revenue generators (Sanusi, 2022). The cigarette industries are among the necessities consumed by the public at all levels of the economic hierarchy.

Table 1

Inventory Turnover Ratio, Accounts receivable Turnover Ratio, and Liquidity Ratio

Company	Year	ITO	ARTO	CR
GGRM	2020	1.57	50.84	172.21
	2021	2.99	72.93	162.02
	2022	1.52	41.89	177.04
HMSP	2020	3.33	60.76	175
	2021	11.95	67.16	152.77
	2022	3.69	51.36	656.74
RMBA	2020	2.4	6.31	118.37
	2021	2.48	28.87	102.32
	2022	2.73	26.66	220.34
WIIM	2020	1.82	5.34	234
	2021	1.63	25.67	227.49
	2022	1.69	27.37	289.38

Figure 1.1
Financial Ratio Composition



In theory, the higher the inventory and accounts receivable turnover, the faster the company will generate cash flow, improving liquidity throughout the Indonesia Stock Exchange. According to the table above, the Hanjaya Mandala Sampoerna Inc. (HMSP) increased in 2020 compared to the previous year. The inventory turnover rate of HMSP Company in 2021 was 11.95, and the accounts receivable turnover rate was 67.16, indicating that inventory and accounts receivable turnover increased while liquidity decreased. Referring to the explanation, the researchers selected the consumer goods business as a research object because, as shown in the figure above, when the inventory and accounts receivable turnover rates fall, the current ratio rises. In reality, a decent liquidity ratio norm is 200% or 2:1. This ratio is widely regarded as a measure of a company's good or sufficient liquidity level or whether it is a liquid company.

In 2022, the current ratio of all cigarette businesses listed on the Indonesia Stock Exchange increased.

Two factors affect a company: accounts receivable turnover and inventory turnover, both of which can substantially impact its liquidity (Runa Runtulaloe, 2018).

The relationship between accounts receivable turnover and liquidity is the second hypothesis of this research, analyzed through t-value to examine the significant effect of accounts receivable turnover on liquidity. Based on the analysis, accounts receivable turnover can predict the liquidity status of seven finance institutions (Rauna Runtulaloe, 2018). This finding is consistent with prior research conducted by Debbianita (2016) on the effect of accounts receivable turnover and working capital turnover on manufacturing company liquidity. According to this research, accounts receivable turnover and working capital turnover have an impact on liquidity.

The relationship between inventory turnover and liquidity is that high inventory turnover in the textile business boosts the company's liquidity. Production efficiencies and appropriate inventory policies can help to increase inventory turnover, improving the company's cash flow and liquidity. Excess inventory, or an imbalance between demand and inventory, may hinder inventory turnover and decrease liquidity. Good inventory risk management balances optimal inventory turnover and sufficient liquidity. Understanding this relationship allows cigarette enterprises to increase their liquidity and maximize their financial performance (Dwinta Mulyanti, 2018)

This research replicates Rebekah Olivia Stephanie's research at Bina Nusantara University. The author is interested in researching the cigarette industry, one of the consumer goods sub-industries. The cigarette business differs from other sub-industries in the sector. While generic ideas of accounts receivable and inventory turnover are widely relevant, the cigarette sector may encounter unique issues that conventional theories may not fully explain. Previous studies may not have looked specifically at the influence of strict regulations, social stigma, and changes in consumer behaviour on cigarette companies' liquidity. General financial management theories may not take these aspects into account in depth. Hence, additional studies focusing on the cigarette sector are required to test the validity of concepts in this context. External factors like government regulations, macroeconomics, and public health campaigns can all greatly impact the cigarette industry. Cigarette excise

tax increase policies, for example, may have a specific impact on business liquidity that is irrelevant or less important in other industries. Anti-cigarette health campaigns may also reduce demand, affecting inventory turnover and liquidity. This study investigated how these factors affect cigarette companies and how they adjust, which may not have been addressed in the existing literature.

Inventory

Mokoginta (2024) suggests that inventory includes the company's economic components, such as production capabilities, human resources, labor resources, and raw materials required for manufacturing. Optimum inventory is defined as products that are held and used to support the company's production processes by considering the inputs required to generate outputs at an optimal cost. Judin (2021) states that "inventory is one of the most essential resources for an entity, PSAK 14 defines inventory as assets that are available for sale in the regular course of business, available in the process of production for such sales, and in the form of materials or equipment in the process of production or service provision." According to Marbun (2021), inventory turnover is computed by multiplying the sale price by the average inventory. It measures the relationship between the quantity of goods owned and the volume sold. Yudiantoro(2022) defines inventory turnover as the rise in inventory driven by policy changes and increasing activity. If the growth in inventory does not match the rise in activity, inventory management becomes more efficient.

$$\textbf{\textit{Inventory Turnover}}\ (\textbf{\textit{ITO}}) = \frac{\textbf{\textit{Cost of Good}}}{\textbf{\textit{Average Inventory}}}$$

Accounts Receivable

According to Raditya (2019), accounts receivable are financial assets in which cash is earned from selling products or services on credit and cash expected to be paid later. According to Nursidin (2019), accounts receivable are invoices or accounts receivable as claims of companies on customers and other parties resulting from company activities. Accounts receivable are defined as the right to collect a sum of money from other companies in exchange for the provision of goods or services on credit.

Marbun (2021) explains that accounts receivable turnover might indicate how well a company defends its accounts receivable. The seemingly decreased collection ability over time indicates that the resulting accounts receivable turnover is minimal due to the company's billing cycle. The sooner the accounts receivable turnover, the faster the credit sale can be converted into cash.

$$\textbf{Accounts}\ \textbf{\textit{Receivables Turnover}}\ (\textbf{\textit{ARTO}}) = \frac{\textit{Net Sales}}{\textit{Average Account Receivables}}$$

Liquidity (Current Ratio)

Kariyoto (2017) states that liquidity refers to a company's capacity to meet its financial obligations in the short term or at the time of collection. A company that can meet its financial obligations on time is considered liquid. The company can meet its financial obligations on time if it has payment instruments or current assets that exceed its current debt or short-term debt. In contrast, it is considered illiquid if a company cannot meet its financial obligations at the time of collection.

Kuswadi (2013) argues current ratio compares current assets and short-term liabilities from operating activities. Current assets are assets that the company believes can be paid out immediately or within a year or less. Current obligations (also known as current debt) have a maturity of one year or less. Current ratios are typically used to assess a company's ability to pay short-term debts with its current assets. According to Isnaen(2021), Return On Asset is a ratio that displays the return on the entire assets used by the company, also known as Return on Investment.

$$Current\ Ratio\ \frac{Current\ Assest}{Current\ Liabilities}$$

Hypothesis

The Effect of Inventory Turnover on Liquidity

This research acknowledges a significant positive relationship between inventory turnover and liquidity based on the Indonesian Stock Exchange of 2020–2022. The results of related research conducted by Silvia (2020) show that simultaneously, cash turnover and inventory turnover have a significant and significant effect on the liquidity of the fast ratio at PT Indofood CBP Suksees Makmur Inc. Partially, inventory turnover has a significant effect on liquidity (fast ratio),

H1: Inventory turnover has a significant effect on the liquidity of cigarette industrial companies listed on the Indonesian Stock Exchange.

The Effect of Accounts Receivable Turnover on Liquidity

This study acknowledges a considerable positive relationship between accounts receivable turnover and liquidity, as indicated on the Indonesian Stock Exchange of 2020-2022. This research indicates a clear relationship between account receivable turnover and liquidity. The greater the company's accounts receivable turnover, the higher its liquidity. Similarly, the lower the account receivable turnover, the greater the perceived reduction in liquidity.

Abriano (2021) conducted related research. The results showed that the variety of inventory turnover has an insignificant effect on the current ratio, the variety of accounts receivable turnover significantly affects the current ratio, and the variety of assets turnover has an insignificant effect on the current ratio. The current ratio is unaffected by inventory, accounts receivable, and asset turnover. These findings differ from Nurjannah's (2015) research, which found that accounts receivable turnover, inventory turnover, and cash turnover significantly positively affect the liquidity ratio, either partially or simultaneously. The findings of this study are consistent with those of Debbianita's (2016) study on the effect of accounts receivable turnover and work capital turnover on manufacturing company liquidity. According to this research, accounts receivable turnover and working capital turnover have an impact on liquidity.

H2: Accounts receivable turnover significantly affects the liquidity of Cigarettes Industrial Companies listed on the Indonesia Stock Exchange.

The Effect of Inventory Turnover and Accounts Receivable Turnover on Liquidity

This research recognizes that inventory and accounts receivable turnover simultaneously affect Liquidity for cigarette industrial companies listed on the Indonesia Stock Exchange in 2020-2022. Nopia Sari (2023) conducted a study revealing that cash turnover, accounts receivable turnover, and inventory turnover all substantially affected Return on Assets (ROA).

H3: Inventory and accounts receivable turnover simultaneously significantly affect cigarette industrial companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

This study utilizes secondary data acquired from annual and financial reports of cigarette industry companies listed on the Indonesia Stock Exchange for the 2020-2022 period. The population in this study were all Cigarette Industry companies listed on the Indonesia Stock Exchange between 2020 and 2022. Purposive sampling was used to determine the sample size. The purposive sampling limits sample selection based on specific criteria. The companies chosen as samples in this study meet the following criteria:

Table 2.

Sample Size Criteria

Description	Number
Cigarette industry companies are listed on the Indonesia Stock Exchange.	5
Cigarette industry companies that publish annual reports from 2020-2022.	4
Total companies that cover all criteria	4
Total sample (4 x 3)	12

Source: Processed data, 2024

Four of the five cigarette industry companies listed on the Indonesia Stock Exchange between 2020 and 2022 match the criteria and can serve as the samples of this research.

Imam Ghazali (2018) defines descriptive statistics as describing data and study samples to make them understandable. Descriptive statistics determine a study variable's data based on the average value (mean), standard deviation, and maximum and lowest scores, allowing it to be comprehended and presented as sample characteristics.

Multiple linear analysis (multiple regression) examines the effect of numerous free variables on the dependent variable (Imam Ghazali, 2018). The goal of performing multiple linear regression analysis is to determine the prediction accuracy of the influence of the independent variables (x), namely Inventory Turnover (ITO) and Accounts receivable Turnover (ARTO), on the dependent variable (y), namely Liquidity (Current Ratio).

$$Y = a + b1\,X1 + b2\,X2 + e1$$

Description:

Y = Liquidity (Current Ratio)
a = Constant
β1,2 = Coefficient
X1 = Inventory Turnover
X2 = Accounts receivable Turnover
e = *Error trm*

According to Ghazali (2018), hypothesis testing involves performing the T-test, F-test, and coefficient of determination (R^2). In these tests, if the significance value is less than 0.05, H_0 is rejected, and Ha is accepted, indicating that the hypothesis is accepted or that the independent variable affects the

dependent variable. Similarly, suppose the significance value is greater than 0.05. In that case, H_0 is accepted, and Ha is rejected, implying that the hypothesis is rejected or the independent variable has no effect on the dependent variable. The coefficient of determination (R^2) assesses an independent variable's ability to explain or influence the dependent variable. A small R^2 value indicates that the independent variable's ability to explain the dependent variable is limited.

The variables employed in this study are the dependent variable (Y), which is liquidity, and the independent variable (X), which is inventory turnover and accounts receivable turnover.

RESULT AND DISCUSSION

Descriptive Statistic Analysis

Descriptive statistical analysis uses the average value (mean) and standard deviation to describe data from independent and dependent variables. According to the results of the descriptive statistical analysis in Table 2, 12 samples were used across a three-year period of research.

Table 3. The Output of Descriptive Statistic Analysis

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Inventory Turnover (ITO)	12	0.01525	0.03688	0.02334	0.00814	0.592237	.637	2.925445	1.232
Accounts receivable Turnover (ARTO)	12	0.17391	0.42514	0.2862	0.10326	1.699876	.637	4.676391	1.232
Liquidity (CR)	12	1.0232	6.56741	2.24723	1.45879	-0.925105	.637	3.19594	1.232
Valid N (listwise)									

Source: Processed data with SPSS, 2019

The Current Ratio (CR) variable, a dependent variable in this study, has an average value (mean) of 2.24723 and a standard deviation of 1.45879. According to Table 4.4, PT Hanjaya Mandala Sampoerna Inc. has the highest CR in 2022 (6.56741), while PT Bentoel Investama Internasional Inc. has the

lowest CR in 2021 (1.02320). This variable appears to have a reasonable data distribution, as the standard deviation is less than the mean value.

The Inventory Turnover (ITO) variable is one of the variables investigated in this study, with an average value (mean) of 0.02334 and a standard deviation of 0.00814. According to Table 4.2, PT Hanjaya Mandala Sampoerna Inc. had the highest ITO in 2022 (0.03688), while PT Gudang Garam Inc. had the lowest (0.01525). This variable appears to have a reasonable data distribution, as the standard deviation is less than the mean.

The Accounts Receivable Turnover (ARTO) variable, as an independent variable in this study, has an average value (mean) of 0.28620 and a standard deviation of 0.10326. According to tTable4.3, the greatest ARTO in 2021 is PT Hanjaya Mandala Sampoerna Inc., with a value of 0.42514, and the lowest ARTO in 2022 is PT Bentoel Internasional Investama Inc., with a value of 0.17391. These variables appear to have a decent data distribution, as the standard deviation is less than the mean value.

Multiple Linear Regression Analysis

Analisis regresi linear berganda dalam penelitian ini digunakan sebagai dasar pengambilan keputusan dan melihat pengaruh variabel Perputaran Persediaan (X1), Perputaran Piutang (X2) terhadap Likuiditas (Y) pada perusahaan Industri Cigarette yang terdaftar di BEI . Berdasarkan data yang diperoleh dari model regresi linear berganda pada Tabel 4 adalah sebagai berikut:

$Y = a + b1\ X1 + b2\ X2 + e1$

Y = 1872199.511 + 0,1060 X1 + 0,427 X2 + e

Table 4
Coefficients[a]

Mol		Unstandardized Cofficients		Standardized Cofficints	t	Sig.	Collinearity Statistics	
		B	Std. Error	Bta			Toranc	VIF
1	(Constant)	1872199.511	1212340.188		1.710	.196		
	Inventory Turnover (ITO)	.1060	.199	.592	2.374	.001	.478	2.039
	Accounts Receivable Turnover (ARTO)	.427	.048	.303	1.903	.003	.488	2.049

Source: Processed data with SPSS 25

Constant = 1872199.511

If the inventory turnover (X1) and accounts receivable turnover (X2) both increase by one unit, the liquidity variable (Y) will rise by 1872199.511.

Coefficient X1 = 0.1060

If the inventory turnover variable (X1) increases by one unit, Liquidity (Y) will increase by 0.1060 units.

Coefficient X2 = 0.427

If the accounts receivable turnover variable (X2) increases by one unit, Liquidity (Y) will increase by 0.427 units.

F-test (Simultaneous Significance Test)

The F-test is performed to test whether the independent variables can affect the dependent variable.

Table 5. ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43420.434	2	21710.217	7.025	.000[a]
	Residual	190639.920	9	21182.213		
	Total	234060.353	11			

a. Predictors: (Constant), Accounts Receivable Turnover, Inventory Turnover

b. Dependent Variable: Liquidity

Source: Processed data with SPSS 19

Based on Table 5, the simultaneous test (F-test) results with a significant level of α = 0.05, numerator df (K) = 2, and denominator of 10 is the value of $F_{critical}$ of 4.255. Based on the table above, the $F_{observed}$ value is 7.025, greater than $F_{critical}$ (4.255), with a significant value of 0.000 < 0.05. Therefore, there is a simultaneous influence between inventory turnover (X1) and accounts receivable turnover (X2) on the level of liquidity (Y).

T-test (Partial Test)

The t-test tests whether the independent variable significantly affects the dependent variable.

Tabel 6
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1872199.511	1212340.188		1.710	.196		
	Inventory Turnover (ITO)	.1060	.199	.592	2.374	.001	.478	2.039
	Accounts Receivable Turnover (ARTO)	.427	.048	.303	1.903	.003	.488	2.049

Source: Processed data with SPSS 25

Based on the t-test table, the variable of inventory turnover and accounts receivable turnover with testing criteria at a significant level of α = 0.05 or 5%, df = n-k-1, and df = 12-2-1 = 10, obtained a $t_{critical}$ value of 1.8124.

Based on Table 6, the $t_{observed}$ of the inventory turnover variable (X1) is 2.374, with a significant level of 0.001 < 0.05. The $t_{observed}$ value 2.374 is greater than the $t_{critical}$ value (1.8124). These results indicate a significant effect, which explains that inventory turnover (X1) positively affects liquidity (Y).

Based on the table above, the $t_{observed}$ of the account receivable turnover variable (X2) is 1.903, with a significant level of 0.003 < 0.05. The $t_{observed}$ value of 1.903 is higher than the $t_{critical}$ (1.8124). This value indicates a significant effect that accounts receivable turnover (X2) has a positive effect on Liquidity (Y).

Coefficient of Determination (R^2)

The coefficient of determination measures an independent variable's ability to explain or effect the dependent variable.

Table 7

Model Summary[b]

Mol	R	R Square	Adjustd R Squar	Std. Error of the Estimate	Durbin-Watson
1	.731[a]	.625	.615	.4556	2.300

a. Predictors: (Constant), Accounts receivable Turnover, Inventory Turnover
b. Dependent Variable: Liquidity
Source: Processed data with SPSS 25

According to the table above, the Adjusted R2 value (Coefficient of Determination) is 0.625, indicating that the effect of inventory turnover and

accounts receivable turnover on liquidity (Current Ratio) is 62.5%, with the remainder using other Ratios not included in this research.

Discussion

1. The Effect of Inventory Turnover on Liquidity

According to the results of the first hypothesis testing with the t-test, inventory turnover has a significant positive effect on the liquidity of cigarette industrial companies listed on the Indonesia Stock Exchange, with a t-value of 2.374 (positive sign) that is greater than the $t_{critical}$ of 1.8124 and a significant value of 0.001, which is less than the 5% significance level. This study acknowledges a significant positive relationship between inventory turnover and liquidity. Silvia (2020) conducted a study and revealed that both cash turnover and inventory turnover had a partially significant effect on liquidity (fast ratio) at PT Indofood CBP Sukses Makmur Inc. Sunardi (2021) discovered that, based on the statistical analysis of SPSS 24, the significance value of 0.006 is less than 0.05, showing that inventory turnover has a substantial impact on the current ratio. However, the resulting significance value of -0.193 suggests that inventory turnover significantly negatively affects liquidity when measured using the current ratio. This study examines the manufacturing industry, including subsectors similarly affected by COVID-19. The pandemic makes it difficult for businesses to sell their goods, preventing them from being transformed into receivables or cash.

2. The Effect of Accounts Receivable Turnover on Liquidity

According to the results of the first hypothesis testing with the t-test, accounts receivables turnover has a significant positive effect on the liquidity of cigarette industry companies listed on the Indonesia Stock Exchange, with a t-value of 1.903 (positive sign) that is greater than tcritical of 1.8124 and a significance of 0.001 (less than the 5%). This study acknowledges a significant positive relationship between accounts receivable turnover and liquidity as indicated on the Indonesia Stock Exchange between 2020-2022. As a result, this study acknowledges a significant positive relationship between account receivables turnover and liquidity, as indicated on the Indonesia Stock Exchange between 2020 and 2022. The findings of this study show that there is a clear relationship between accounts receivable turnover and liquidity. The more accounts receivable turnover the company accumulates, the better its liquidity.

In contrast, the lower the accounts receivable turnover, the less liquidity available. Abriano (2021) conducted a study and revealed that the variety of inventory turnover has an insignificant effect on current ratios, the variety of accounts receivable turnover significantly affects current ratios, and the variety of fixed asset turnover has an insignificant effect on current ratios. The current

ratio is unaffected by inventory, accounts receivable, and asset turnover. This finding differs from Nurjannah's (2015) findings, which show that accounts receivable turnover, inventory turnover, and cash turnover all significantly positively affect the liquidity ratio, either partially or simultaneously.

3. The Effect of Inventory Turnover and Accounts Receivable Turnover on Liquidity

According to the results of evaluating the fifth hypothesis with the F-test, inventory turnover and receivables turnover simultaneously affect the liquidity of industrial companies listed on the Indonesia Stock Exchange with a significance probability value of 0.000, less than the 5% significance level. F-value (7.025) is less than $F_{critical}$ (4.255). Thus, this study recognizes that inventory and receivables turnover simultaneously affect the liquidity of cigarette industrial companies listed on the Indonesia Stock Exchange between 2020 and 2022. Nopia Sari (2023) conducted a study and discovered that cash turnover, accounts receivable turnover, and inventory turnover all significantly affected Return on Assets (ROA).

CONCLUSION

Based on the findings and discussion, it is possible to conclude that accounts receivable turnover affects liquidity, inventory turnover affects liquidity, and inventory turnover and accounts receivable turnover simultaneously affect liquidity.

This study's limitations are that it exclusively focuses on cigarette industry companies listed on the Indonesia Stock Exchange (IDX) over the three-year period from 2020 to 2022. The findings show that the independent variable only explains 64% of the dependent variable. Thus, there are additional elements that can influence liquidity.

RESEARCH IMPLICATION

For cigarette companies, the management must improve the quality of its accounts receivable turnover and try to be more careful in managing it because it has been proven that accounts receivable turnover affects the company's liquidity. The management hopes to keep paying attention to improving the company's performance by reducing the amount of accounts receivable turnover, tightening the terms of credit, and actively collecting receivables to improve liquidity and increase expected profits. For further researchers, it is hoped that the scope of research can be expanded to other companies with additional samples and observation time so that the results can be generalized.

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