ABSTRACT

This study was conducted to examine the effect of capital structure and inventory turnover on net income through net sales. This research was conducted in the food and beverage industry listed on the Indonesia Stock Exchange for 2015 – 2019. This research is a quantitative study with the type of causality research. The sample of this study includes 18 companies selected through the purposive sampling technique. Secondary data collection uses the company's financial statement documentation and other supporting literature. The analytical method used is descriptive analysis, multiple linear regression analysis, and path analysis. The results of this study indicate that the capital structure has no effect on net income through net sale, while inventory turnover has an effect on net income through net sales.

Keywords: Capital Structure, Inventory Turnover, Net Sales, Net Profit.
small. Vice versa, the company's capital structure which tends to be dominated by its own capital will reduce the interest expense borne by the company, resulting in an increase in company income or large profits, but the taxes that must be paid by the company are also large. [8].

The same results were also obtained by Erlina and Junianto, Rizka and Nanu. They conclude that an optimal capital structure and good management will be followed by an increase in sales and operating profit. [9-10].

In addition to the capital structure, inventory and sales turnover also affects the company in generating profits. If the inventory turnover is high, sales are also high so that the profit generated is also large. However, low inventory turnover can be a burden for the company because the inventory does not sell well, considering that the inventory has an expiration date. This shows that when there is an increase in inventory turnover, profit has the potential to increase. On the other hand, if inventory turnover decreases, profits will also decrease. Therefore, every company will try to maximize sales, so that inventory turnover is higher so as not to experience losses. [11-12].

2. LITERATURE REVIEW

a. Capital Structure

The capital structure is equity and debt funding in companies which are often measured in terms of the relative size of various funding sources, the company's financial stability and bankruptcy risk depending on the funding source and the type and amount of various assets owned. [13].

The problem of capital structure is an important problem for every company, because the good or bad of the capital structure, will affect the company's financial position. One of the important contents that is often faced by managers of a company is determining the right balance between debt and equity.

b. Inventory Turnover

According to Kasmir, inventory turnover is a ratio used to measure the number of times the funds invested in inventory rotate in one period. Inventory turnover shows how long the inventory of goods in the company can be sold for one year. This is calculated by comparing the cost of goods sold with the average inventory. [14].

Poor inventory management can lead to shortages and excess inventory of goods. Inventory shortages can result in delivery failures, lost sales, dissatisfied customers and production stagnation. Excess inventory can increase storage costs and the risk of damage to goods. [15].

c. Net sales

According to Mulyadi, sales are activities carried out by sellers and in selling goods and services with the dream of getting profits from the existence of these transactions and sales can be interpreted as transferring or transferring ownership rights to goods or services, from the seller to the buyer. [16].

In theory, net sales are all sales proceeds, both cash and credit, minus commissions, discounts and sales returns and other deducting factors. So, it can be concluded that in general the factors that affect net sales are sales returns and allowances and sales discounts.

d. Net profit

Earnings or net income indicates the company's profitability. Earnings reflect returns to holders of equity for the period, while items in the report detail how profits were earned. Profit is the result of a comparison between income and expenses. [17-18].

Net income is the positive difference on sales less costs and taxes. The understanding of profit adopted by accounting organizations today is accounting profit which is a positive difference between revenues and costs.
e. Conceptual Framework

![Conceptual Framework]

Figure 1: Conceptual Framework

X1, X2 = independent variable
Y = mediating variable
Z = dependent variable

f. Hypothesis
The hypotheses in this study are:
1) Capital structure and inventory turnover have a positive effect on net sales.
2) Capital structure and inventory turnover have a positive effect on net income.
3) Capital structure and inventory turnover have a positive effect on net income through net sales.

3. RESEARCH METHOD

a. Population and Sampling Techniques
The population in this study are manufacturing companies in the goods and consumption sector, food and beverage sub-sectors listed on the Indonesia Stock Exchange (IDX) in the 2015-2019 period. In this study, the sampling technique used is purposive sampling. Purposive sampling is a probability sampling method carried out with certain criteria. With this technique, the research sample is 18 food and beverage companies listed on the Indonesia Stock Exchange for the 2015-2019 period.

b. Research Variable
In this study there are 3 variables used, namely:
1) Independent Variable
   There are 2 independent variables used in this study, namely:
   (a) Capital Structure

Capital structure can be measured by the formula:

\[ Debt \text{ to } Equity \text{ Ratio} = \frac{Total \text{ Debt}}{Equity} \]

(b) Inventory Turnover
   Inventory turnover can be measured by the formula:

\[ ITR = \frac{Cost \text{ of goods sold}}{Average \text{ Inventory}} \]
2) Dependent Variable
The dependent variable used is Net Profit. Net profit can be measured by the formula:

\[ Net \ Profit = \frac{Net \ Profit}{Net \ Sales} \times 100\% \]

3) Mediation Variable
The mediating variable used in this research is Net Sales. Net Sales can be measured by the formula:

\[ Net \ Sales = Total \ Sales - Sales \ Discounts \ and \ Returns \]

4. RESEARCH RESULT

This path analysis technique will be used in testing the amount of contribution (contribution) indicated by the path coefficient on each path diagram of the causal relationship between the variables of Capital Structure (X1) and Inventory Turnover (X2), to Net Profit (Z) through Net Sales (Y). Correlation and regression analysis are the basis for calculating path analysis.

| Table 1. Effect of Capital Structure and Inventory Turnover on Net Sales |
|---------------------------------|-------|------|------|
| Independent Variable            | Beta  | t    | Sig. |
| Capital Structure               | -0.002| -0.017| 0.986|
| Inventory Turnover              | -0.181| -1.676| 0.097|
| Dependent Variable              | Net Sales | |

Source: Processed secondary data (2021)

In accordance with the results of SPSS above, it can be seen that the significance value of the two independent variables, namely the capital structure (X1) is 0.986, while the inventory turnover (X2) is 0.097. The significance value of the two variables is greater than 0.05, which means Ha is rejected so that the conclusions that can be drawn are variables X1 and X2 have no effect on variable Y.

| Table 2. Effect of Capital Structure and Inventory Turnover on Net Profit |
|---------------------------------|-------|------|------|
| Independent Variable            | Beta  | t    | Sig. |
| Capital Structure               | -0.102| -1.238| 0.219|
| Inventory Turnover              | -0.512| -6.085| 0.000|
| Dependent Variable              | Net Profit | |

Source: Processed secondary data (2021)

Based on the table above, it can be seen that the capital structure variable (X1) has a significance value of 0.219 > 0.05 so it can be concluded that there is no effect of the capital structure variable (X1) on the dependent variable, namely net income (Z). The inventory turnover variable (X2) has a significance value of 0.000 <0.05 so it can be concluded that there is an effect of the inventory turnover variable (X2) on the dependent variable, namely net income (Y).

| Table 3. Effect of Net Sales on Net Profit |
|---------------------------------|-------|------|------|
| Independent Variable            | Beta  | t    | Sig. |
| Net Sales                       | 0.296 | 3.608| 0.001|
| Dependent Variable              | Net Profit | |

Source: Processed secondary data (2021)

The net sales mediation variable (Y) has a significance value of 0.001 <0.05 so it can be concluded that the net sales variable (Y) has an effect on net income. Based on the above calculations, the path analysis is presented in the following figure:
1) The direct and indirect effect of X1 through Y on Z

It is known that the direct effect given by X1 to Z is -0.102. While the indirect effect of X1 through Y on Z is the multiplication between the Beta value of X1 against Y and the beta value of Y against Z, which is -0.002 x 0.296 = -0.000. While the total effect given by X1 to Z is the direct effect plus the indirect effect, namely -0.102 + -0.000 = -0.102.

Based on the results of the above calculations, it is known that the direct influence value is -0.102 and the indirect effect is -0.000, which means it is smaller than the direct effect, so it can be concluded that the capital structure variable (X1) has no effect on net income (Z) through Y net sales.

2) The direct and indirect effect of X2 through Y on Z

It is known that the direct effect given by X2 to Z is -0.512. While the indirect effect of X2 through Y on Z is the multiplication between the value of Beta X2 and the value of Beta Y to Z, which is -0.181 x 0.296 = 0.115. While the total effect given by X2 to Z is the direct effect plus the indirect effect, which is -0.512 + 0.115 = -0.397.

Based on the results of the above calculations, it is known that the direct influence value is -0.512 and the indirect effect is 0.115 which means it is greater than the direct effect so it can be concluded that the inventory turnover variable (X2) indirectly affects net income (Z) through net sales (Y).

5. DISCUSSION

a. Effect of capital structure on net income through net sales

The results showed that the capital structure had no effect on net sales. This means that the available capital structure is not used either for procuring products or for producing and marketing goods which are expected to encourage sales levels so that it affects company profits, but the capital structure is used for other investments.

Capital structure also has no significant effect on net income (Z). This means that the size of the capital structure does not affect the net profit generated by the company. This is not in accordance with the proposed hypothesis, namely that capital structure has a positive effect on net income. Food and beverage companies show that the average composition of their own capital is greater than foreign capital or debt obtained from investors. So in this condition the debt does not affect the company's profitability.

Path analysis shows that the capital structure (X1) has no effect on net income (Z) through net sales Y. These results explain that the average food and beverage company, especially for the period 2015 – 2019 does not fully use the capital structure to increase productivity so that the capital structure does not affect the increase or decrease in sales. Because the capital structure does not affect the increase or decrease in sales, it does not have an impact on the company's net profit. In other words, even though the company does not focus its capital on increasing production, the inventories owned by food and beverage companies during the research period are still able to meet customer demands.

b. Effect of inventory turnover on net income through net sales

The results showed that the inventory turnover variable (X1) had no effect on net sales (Y). If the amount of inventory is large, the company must be able to sell goods in large quantities to optimize the inventory turnover rate. This means that sales
must match the inventory of merchandise. From the results of this study, it can be seen that the average companies in the sample have not been able to manage their inventory properly.

Inventory turnover has a negative effect on net income (Z). This means that the company's inventory turnover rate in this study is quite high but most of the sales transactions are dominated by credit transactions where this is related to the payment of receivables. If the receivables are not repaid on time, it will result in the length of time the receivables turning into cash, while the goods sold have reached the hands of consumers, resulting in low company profitability. This result is not in accordance with research conducted by Purwanti and Rica which states that inventory turnover has a positive and significant effect on net income [19].

Inventory turnover (X2) indirectly affects net income (Z) through net sales (Y). These results can explain that the higher the inventory turnover rate, the faster the company makes sales. The faster the company sells, the greater the profit potential. So the inventory turnover period needs to be considered to find out how long it takes the company to sell inventory. This is because inventory has a cost. If the inventory turnover is faster, the costs that must be incurred to keep the inventory in good condition will be smaller. Vice versa if the inventory turnover is getting slower, the costs that must be incurred to keep the inventory in good condition will be even greater.

6. CONCLUSIONS AND RECOMMENDATIONS

Capital structure has no effect on net income through net sales. This means that the company does not focus on debt to increase production, market and sell products to customers so that there is no significant impact on the net profit generated by the company through sales.

While inventory turnover has an effect on net income through net sales. This means that high inventory turnover will be followed by an increase in company profits. So it can be concluded that the company is able to sell the available products so that it can generate profits regardless of the company selling products with credit or cash transactions.

The hope of the authors for further research is that researchers add independent variables so that research on net income can be explained by a larger percentage. It is expected that food and beverage companies manage or control the capital structure, inventory turnover and sales to be effective so that the expected profit of the company can be achieved.

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