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THE INFLUENCE OF CASH CONVERSION CYCLE, COMPANY SIZE, AND LEVERAGE ON COMPANY PROFITABILITY

(Study on Automotive Distributor Company PT. New Ratna Motor Semarang / Nasmoco Group 2021-2024)

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Abstract

This study discusses the optimization of a company's financial performance through working capital management and capital structure policies. To increase profitability (ROA), companies require efficient cash conversion cycle management and optimal funding supported by internal company characteristics. The research problem proposed is to determine how to achieve increased profitability in an automotive distributor company through the efficiency factors of Cash Conversion Cycle (CCC), Firm Size (Firm Size), Leverage (DER), and historical profitability factors (ROA_Lag). The sample of this study is the financial statements of PT New Ratna Motor (Nasmoco Group) in Semarang City for the 2021-2024 period, which were transformed into quarterly data (N=16). The results of data analysis indicate that this research model has a good level of feasibility (goodness of fit) with the ability to explain variations in profitability (Adjusted R Square) of 78.1% and successfully overcome autocorrelation interference. Simultaneously, there is a strong relationship between the independent variables and the company's profit movements. Partially, the Cash Conversion Cycle (CCC) variable is proven to have a negative and significant effect on profitability, while the Firm Size and Leverage variables have not shown a significant effect at the 95% confidence level.

Keywords: *Return On Assets (ROA), Cash Conversion Cycle (CCC), Firm Size, Leverage (DER), Dynamic Model (Autoregressive)*

1. INTRODUCTION

The automotive distribution sector is a strategic, highly competitive sector that relies heavily on effective working capital management. In this industry, cash flow must be swift and efficient, as companies must maintain vehicle and spare part inventory and meet consumer demand in a timely manner. PT. New Ratna Motor, an automotive distributor operating across various marketing regions in Indonesia, faces the challenge of maintaining profitability amid fluctuating market demand, regulatory changes, and intense competition.

PT New Ratna Motor is one of the company networks that carry out activities in the main distribution sector under PT. Toyota Astra Motor has a function as the Sole Agent of Toyota Brand Holders (ATPM) in Indonesia. which has a role in marketing and distribution activities of Toyota products in the Central Java and Yogyakarta Special Region areas

available through the official Nasmoco Group network. In providing comprehensive services to customers, PT New Ratna Motor not only prioritizes the sale of vehicle units, but also offers after-sales services that include the field of vehicle repair and maintenance services and the provision of spare parts. (spare parts).

PT New Ratna Motor operates in the automotive distribution sector in Central Java and the Special Region of Yogyakarta, with the following share ownership structure:

Table 1. Shareholders of PT New Ratna Motor

No	Name	Presentation
1.	PT Bintraco Dharma Industry and Trade Tbk	70%
2.	PT Bahtera Multi Niaga	30%

Source: *Data Processed, 2026*

Thanks to the collaboration with Nasmoco Group, PT New Ratna Motor now has 24 branches or dealers located in almost all major cities in Central Java and Yogyakarta. Each branch provides integrated services in the form of vehicle sales (Vehicle), vehicle repair and maintenance (Service), and provision of spare parts (Parts) or what is known as the concept With the help of the Nasmoco Group network, PT New Ratna Motor has 24 branches or dealers spread across almost all major cities in Central Java and Yogyakarta. Striving to improve employee welfare. Actively participate in caring for the environment and society. On the other hand, the company. PT. New Ratna Motor is also professionally run by professional employees who hold roles in each function in the organization. The organization in the company has several functions in each department as follows:

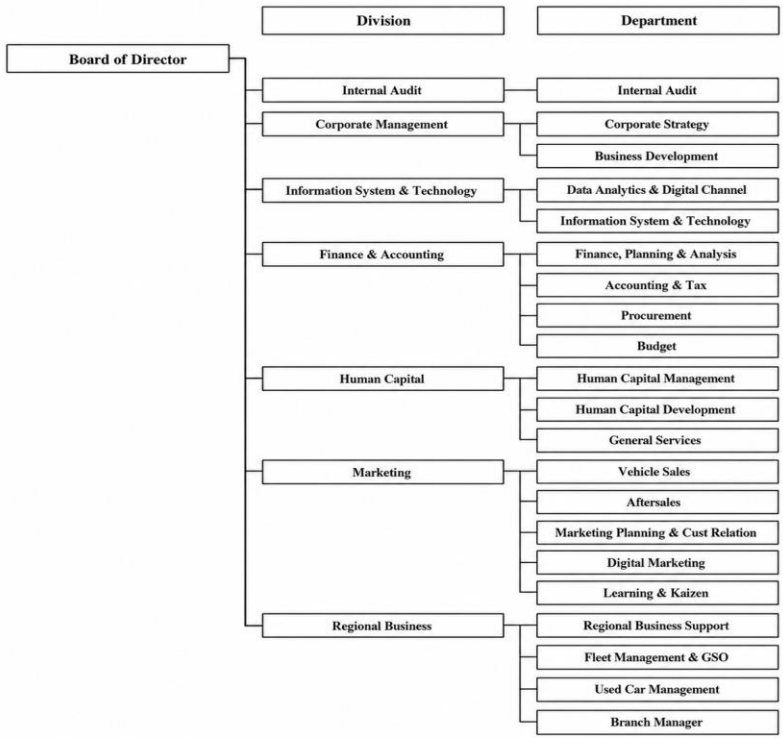

Figure 1. Organizational Structure of PT New Ratna Motor

One of the important indicators in working capital management is *Cash Conversion Cycle*Cash Conversion Cycle (CCR) is the duration required by a company to convert investments in inventory and receivables into cash. The shorter the Cash Conversion Cycle, the more effective it is. Companies manage their working capital to increase profitability. According to Gill et al. (2010), there is a significant negative relationship between the cash conversion cycle and profitability, meaning the faster the cash cycle, the higher the profits achieved. A similar finding was also found by Deloof (2003), who emphasized that companies can increase profits by shortening the receivables period and accelerating inventory turnover. However, several studies, such as Agyemang & Morrison (2014), show different results, namely that the Cash Conversion Cycle does not always have a significant effect on profitability. These different findings indicate the need for further study in the context of the Indonesian automotive industry.

In addition to cash cycle management, Firm size is a variable frequently associated with profitability in various financial studies and research. Larger firms tend to have broader access to capital, economies of scale, and a stronger bargaining position in the distribution chain. Research by Serrasqueiro & Nunes (2008) states that firm size has a positive effect on profitability, as larger firms generally have advantages in resource management, broader access to funding, and higher operational efficiency compared to smaller firms. They are able to manage operational costs more efficiently. However, other studies, such as Chandrapala & Knapkova (2013), found that firm size does not always have a significant impact on its ability to generate profits, especially in firms experiencing internal efficiency issues. This difference in research results makes the firm size variable relevant to be tested at PT New Ratna Motor.

Another variable that influences profitability is leverage, the extent to which a company finances its assets through debt. Leverage reflects a company's capital structure and the financial risks it faces. According to Myers' (2001) research, based on pecking order theory, companies that rely more heavily on debt may face the risk of high interest expenses, which can depress profitability. Empirical findings by Abor (2005) also confirm that leverage negatively impacts profitability in Ghanaian companies. However, this contrasts with Modigliani and Miller's (1963) research, which states that the use of debt in a company's financing structure can increase company value through tax benefits (tax shields) arising from tax savings on interest expenses. Therefore, it is necessary to re-examine how leverage affects profitability..

Table 2. Research GAP

No	Researchers	Research Title	Variables	Research result	Research Gap
1	Clarissa Fransisca, Ahmad Shalahuddin, Wendy, Giriati, & Hasanudin (2023)	*The Influence of Cash Conversion Cycle, Capital Structure, and Liquidity on Profitability with Firm Size as Moderation*	Cash Conversion Cycle on Profitability	Cash Conversion Cycle has a significant negative effect on profitability. Firm size strengthens this relationship.	The research was conducted on trading companies listed on the Indonesia Stock Exchange. It did not examine automotive distribution companies with different working capital characteristics.

No	Researchers	Research Title	Variables	Research result	Research Gap
2	T. Saraswati, et al. (2020)	*The Effect of Cash Conversion Cycle and Firm Size on the Profitability of Manufacturing Companies*	Cash Conversion Cycle, Firm Size on Profitability	Cash Conversion Cycle has an effect on profitability, while the effect of company size shows inconsistent results.	There are still inconsistencies in the results regarding the influence of company size on profitability, so they need to be retested.
3	Zephaniah HP Tomewi (2023)	*The Effect of Cash Conversion Cycle, Leverage, Sales Growth, and Firm Size on Profitability*	Cash Conversion Cycle, Leverage, Firm Size on Profitability	Cash Conversion Cycle and leverage affect company profitability.	The research was conducted at a manufacturing company so the results cannot be generalized to automotive distribution companies.
4	Hersugondo (2024)	*The Effect of Working Capital Turnover, Cash Conversion Cycle, Firm Size and Long-Term Debt on Profitability*	Cash Conversion Cycle, Firm Size, Long-Term Debt on Profitability	Cash Conversion Cycle does not have a significant effect on profitability, while company size and long-term debt have a significant effect.	The research results show inconsistencies compared to previous research, so retesting is necessary in the automotive sector.
5	Stavropoulos, et al. (2025)	*Cash Conversion Cycle and Profitability: Evidence from Major Service Sectors*	Cash Conversion Cycle on Profitability	Cash Conversion Cycle affects profitability in the service sector.	The research was conducted in the service sector so there are still contextual gaps when applied to automotive distribution companies in Indonesia.

Source: *Data Processed, 2026*

Many previous researchers have conducted research on the effect of the Cash Conversion Cycle (CCC), Firm Size, and Leverage on profitability. However, these research results still show inconsistencies. Some studies found that the Cash Conversion Cycle has a significant negative effect on profitability, indicating that the shorter the cash conversion cycle, the higher the company's ability to generate profits (Fransisca et al., 2023). Conversely, other studies found that the Cash Conversion Cycle has no significant effect on profitability (Hersugondo, 2024). These differing results indicate that the relationship between working capital management efficiency and profitability still requires empirical evidence in different industry contexts.

Similar inconsistencies were also found in the firm size variable. Several studies have shown that firm size has a positive effect on profitability because companies with larger assets tend to have operational efficiency, better access to funding, and greater competitive advantage (Saraswati et al., 2020). However, other studies have shown that firm size has no significant effect on profitability. This indicates that the size of a company's assets is not necessarily a primary factor in increasing its ability to generate profits.

Regarding the leverage variable, research results also show discrepancies. Some studies conclude that leverage negatively impacts profitability because high debt usage increases a company's interest expense, thus reducing profits. Conversely, other research indicates that leverage can increase profitability if debt is optimally utilized to support a company's operational and investment activities (Tomewi, 2023). These differing findings indicate that the effect of leverage on profitability remains an interesting issue requiring further study.

In addition to the empirical gap, previous research has also been dominated by research subjects such as manufacturing companies, service sector companies, and companies listed on the Indonesia Stock Exchange. To date, research specifically examining the effect of Cash Conversion Cycle, Company Size, and Leverage on profitability in automotive distributor companies, particularly PT. New Ratna Motor Semarang (Nasmoco Group), is still very limited. The characteristics of automotive distributor companies with relatively large vehicle inventories, different sales cycles, and unique working capital management patterns may produce different relationships between variables compared to other sectors. Furthermore, this study uses the 2021–2024 period, the automotive industry's recovery period after the COVID-19 pandemic, thus it is expected to provide more up-to-date empirical evidence regarding the factors influencing company profitability.

Based on business phenomena, inconsistencies in previous research results, and the limited research conducted on automotive distributor companies, this research is important to conduct. This research is expected to provide empirical evidence regarding the influence of Cash Conversion Cycle, Company Size, and Leverage on Profitability at PT. New Ratna Motor Semarang (Nasmoco Group) during the 2021–2024 period. In addition to contributing to the development of literature in the field of financial management, the results of this study are also expected to be a consideration for company management in improving the effectiveness of working capital management, determining the optimal funding structure, and formulating strategies to increase company profitability. Based on this, this study is entitled "The Effect of Cash Conversion Cycle, Company Size, and Leverage on Company Profitability (Study on the Automotive Distributor Company PT. New Ratna Motor Semarang (Nasmoco Group) in 2021–2024)."

2. RESEARCH METHOD

Population and Sample

The population in this study is all financial data of PT New Ratna Motor Semarang (Nasmoco Group), an automotive distributor company that carries out vehicle unit sales, after-sales service, and spare parts sales. The study population includes all company financial reports during the study period of 2022 to 2024. The sample used a purposive sampling technique. The sampling technique used a purposive sampling technique, where the sample criteria set were the availability of complete and consistent consolidated financial reports during the observation period of 2021-2024. The method in data collection used documentation techniques through secondary data tracing in the form of audited financial reports. Data collection and processing were carried out to map the research variables, where profitability was measured by Return on Assets (ROA), leverage by Debt to Equity Ratio (DER), and company size by natural logarithm transformation of total assets.

Data Types and Sources

This research uses secondary data from the financial statements of PT. New Ratna Motor Semarang (Nasmoco Group). The data analyzed is time series data for the period 2022 to 2024, taken from the company's financial statements during that period.

Analysis Method

Based on the results of data processing using SPSS, the following are the results of the hypothesis testing:

Regression Equation: $ROA\_t = \alpha + \beta1\ CCC\_t + \beta2\ SIZE\_t + \beta3\ DER\_t + \beta4\ ROA\_t\text{-}1 + \varepsilon$

Information:

- ROA_t = Profitability (Return on Assets) in quarter t.
- α = Regression constant.
- β1, β2, β3, β4 = Regression coefficients of each independent variable.
- CCC_t = Cash Conversion Cycle in quarter t.
- SIZE_t = Firm Size in quarter t.
- DER_t = Debt to Equity Ratio (Leverage) in the t-th quarter.
- ROA_t-1 = Profitability (Return on Assets) in the previous quarter (Lag Variable t-1).
- ε = Error term / residual (other factors outside the research model).

3. RESULTS AND DISCUSSION

Research Object

The research object consists of financial data representing the activities of major automotive distributors in Central Java and the Special Region of Yogyakarta. The data includes the main components of the Statement of Financial Position and Consolidated Income Statement, including the performance of strategic subsidiaries such as PT Nasmoco Semarang, PT Nasmoco Bahtera Motor Yogyakarta, and PT Chandra Pratama Motor Pekalongan.

Descriptive Statistical Analysis

This analysis is used to provide a description or overview of the data distribution of each research variable (CCC, Firm Size, Leverage, and ROA). The analysis results present the minimum, maximum, average (mean), and standard deviation values, reflecting the financial condition of PT New Ratna Motor during the research period of 2021-2024.

Table 3. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Standard Deviation
ROA	16	.0510	.0870	.064813	.0111906
CCC	16	39.80	85.10	59.3938	15.07251
SIZE	16	28.53	28.65	28,6063	.04048
DER	16	.650	2,350	1.17313	.654785
ROA_Lag	16	.000	.087	.06100	.019718
Valid N (listwise)	16				

Source: *Data Processed, 2026*

Profitability Variable (ROA): The profitability value proxied by Return on Assets (ROA) has an average value (mean) of 0.0648 with the highest value of 0.0870 and the lowest value of 0.0510. This information shows that the company's ability to generate net profit from managing its total assets is in a relatively stable condition, where on average the company is able to generate a profit of around 6.48% of the total assets owned.

The Cash Conversion Cycle (CCC) variable has an average value of 59.39 days, with the highest value reaching 85.10 days and the lowest value of 39.80 days. This information shows fluctuations in the efficiency of working capital management, which indicates the company's ability to dynamically manage cash, inventory, and receivables turnover between quarters to maintain PT New Ratna Motor's operational liquidity.

Firm Size: measured using the natural logarithm (Ln) transformation of total assets shows an average value of 28.61. Data descriptions show a very stable range of values between 28.53 and 28.65, reflecting the company's consistently maintained growth in total assets and the strengthening of PT New Ratna Motor's business scale in Central Java and Yogyakarta from quarter to quarter.

The leverage variable, measured through the Debt to Equity Ratio (DER), shows an average value of 1.17. The results show variations in the company's funding structure, with a minimum value of 0.650 and a maximum value of 2.350. This reflects the flexibility of management's strategy in combining the use of debt and internal capital to finance expansion and minimize financial risks from external parties.

Profitability Variable One Period Before (ROA_t-1): The quarterly profitability lag value has an average (mean) value of 0.0610 with the highest value of 0.0870 and the lowest value of 0.0000. This information shows the company's historical profitability in the previous quarter that is included in the model to control for inter-temporal pattern dependencies and ensure the regression model is free from autocorrelation bias.

Normality Test

The normality test aims to determine whether the confounding variables or residuals in a regression model have a normal distribution. Based on the data processing results, the test is performed by examining the Normal P-Plot graph as follows:

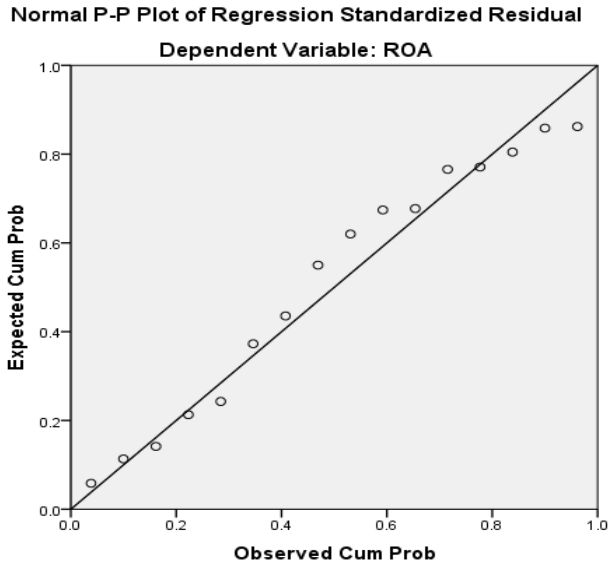

Figure 2. Data normality

Based on Figure 2, the Normal PP Plot graph shows that the points are spread around the diagonal line and follow the direction of the line. This indicates that the regression model meets the assumption of normality.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether the residual variance of one observation differs from the other in the regression model. A good regression model is one that does not exhibit heteroscedasticity (homoscedasticity). The test is performed using scatterplot analysis.

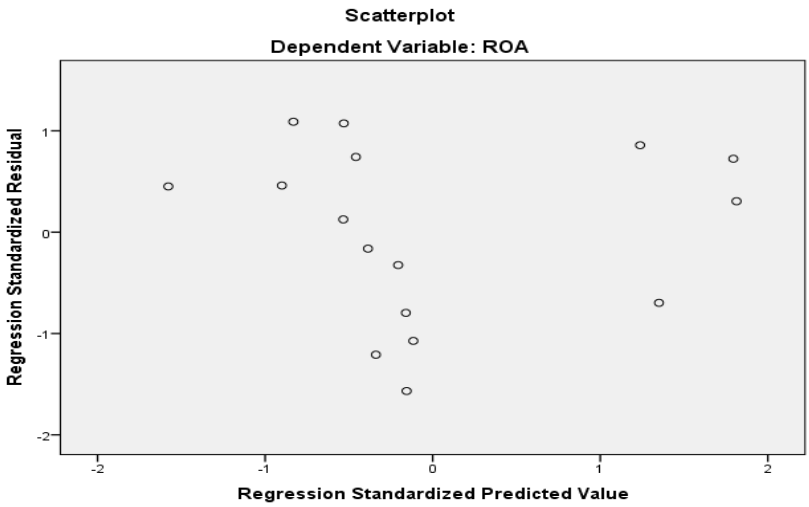

Figure 3. Hetersokedasticity Test

The data points are randomly distributed both above and below the 0 mark on the Y-axis. They do not gather in one place. There is no particular regular pattern (such as a wavy pattern, widening and then narrowing).

Hypothesis Testing
t-test (Partial Significance Test)

Table 4. T-test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,670	3,902		.684	.508
	CCC	-.001	.000	-1.226	-5,006	.000
	SIZE	-.090	.136	-.325	-.660	.523
	DER	.009	.009	.529	.962	.357
	ROA_Lag	.177	.095	.313	1,873	.088
a. Dependent Variable: ROA						

Source: *Data Processed, 2026*

a. Hypothesis Testing of Cash Conversion Cycle (CCC) Variable

The regression coefficient (B) for the CCC variable is -0.001 with a t-count of -5.006 and a significance value (Sig.) of 0.000. The significance value obtained is smaller than the specified real level (0.000 < 0.05). The negative t-count value (-5.006) indicates an opposite direction of the relationship. The first hypothesis (H_1) is accepted. This empirically proves that the Cash Conversion Cycle (CCC) has a negative and significant effect on profitability (ROA). This means that the shorter or faster the company's cash conversion cycle, the higher the level of profitability generated by PT New Ratna Motor.

b. Hypothesis Testing of Firm Size Variable (SIZE)

The regression coefficient (B) for the SIZE variable is -0.090 with a t-value of -0.660 and a significance value (Sig.) of 0.523. The significance value obtained is much greater than the specified real level (0.523 > 0.05). The second hypothesis (H_2) is rejected. This shows that Company Size (SIZE) does not have a significant effect on profitability (ROA). This means that the size of the total assets managed by PT New Ratna Motor is not a determining factor in the rise and fall of the company's profit at the quarterly level.

c. Hypothesis Testing of the Debt to Equity Ratio (DER) Variable

The regression coefficient (B) for the DER variable is 0.009 with a t-test value of 0.962 and a significance value (Sig.) of 0.357. The significance value obtained is greater than the specified level of significance (0.357 > 0.05). The third hypothesis (H_3) is rejected. This indicates that the Debt to Equity Ratio (DER) does not significantly affect profitability (ROA). This means that the high or low proportion of external debt used to fund company operations does not have a significant impact on ROA performance.

d. Testing the Profitability Control Variable for the Previous Period (ROA_Lag)The regression coefficient (B) for the ROA_Lag variable is 0.177 with a t-value of 1.873 and a significance value (Sig.) of 0.088. The significance value is above 0.05 but still below 0.10 (0.05 < 0.088 < 0.10). This historical lag variable shows a significant positive effect only at the loose tolerance level (10%). Its main role in this dynamic model is as a control variable that absorbs the impact of intertemporal patterns.

F Test (Simultaneous Significance Test)

Table 5. F Test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	4	.000	14,349	.000b
	Residual	.000	11	.000		
	Total	.002	15			
a. Dependent Variable: ROA						
b. Predictors: (Constant), ROA_Lag, DER, CCC, SIZE						

Source: *Data Processed, 2026*

The regression model is declared fit if the Sig. F value <0.05. Based on the ANOVA table above, the F value obtained is 14.349 with a significance level of 0.000. If the significance value is less than 0.05, then this regression model is declared fit or suitable for use in predicting Profitability (ROA) at PT New Ratna Motor. This shows that simultaneously, CCC, Size, DER, and ROA_Lag have an influence on the movement of the company's ROA.

Analysis of the Coefficient of Determination (R)

Table 6. Determination Test

Model Summary					
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.916a	.839	.781	.0052406	2,189
a. Predictors: (Constant), ROA_Lag, DER, CCC, SIZE					
b. Dependent Variable: ROA					

Source: *Data Processed, 2026*

Based on the Model Summary table above, the Adjusted R Square value obtained is 0.781. This value indicates that 78.1% of the variation in profitability (ROA) at PT New Ratna Motor can be explained by the Cash Conversion Cycle (CCC), Size, Leverage (DER),

and ROA_Lag variables. Meanwhile, the remaining 21.9% (100% - 78.1%) is explained by other factors outside this research model.

Discussion

The Influence of Cash Conversion Cycle on Profitability

The results of the study indicate that the Cash Conversion Cycle has a negative and significant effect on profitability. This indicates that the shorter the cash conversion cycle, the more efficient working capital management is, resulting in faster profit generation for the company. This finding supports the Working Capital Management Theory, which states that working capital efficiency can improve a company's financial performance. At PT. New Ratna Motor, accelerated inventory turnover and accounts receivable collection enabled the company to utilize operating funds more productively. These results align with those of Fransisca et al. (2023) and Stavropoulos et al. (2025).

The Effect of Company Size on Profitability

The results of the study indicate that company size does not significantly influence profitability. This indicates that the size of a company's assets does not directly increase its ability to generate profits. According to the Resource-Based View (RBV), a company's competitive advantage is determined not only by the number of assets but also by its ability to manage those assets effectively. At PT. New Ratna Motor, profitability is more influenced by operational efficiency and sales activity than by the size of its total assets. These results align with research by Saraswati et al. (2020).

The Effect of Debt to Equity Ratio on Profitability

The results of the study indicate that the Debt to Equity Ratio does not significantly impact profitability. This finding indicates that changes in the proportion of debt have not significantly increased or decreased company profits. Based on the Trade-Off Theory, the benefits of using debt depend heavily on the effectiveness of its management. At PT. New Ratna Motor, the relatively stable funding structure means that leverage has not yet become a major factor influencing profitability. This finding aligns with several previous studies that suggest that leverage does not always impact profitability.

Discussion of Profitability Control Variables for the Previous Period

The profitability variable for the previous period indicates a tendency for financial performance in one period to influence performance in the following period. As a control variable, its presence helps explain the pattern of profitability sustainability over time, allowing for a more accurate estimate of the relationship between the primary variable and profitability.

4. CONCLUSION

Based on the results of data analysis and discussion regarding the influence of Cash Conversion Cycle (CCC), Firm Size, and Leverage on Profitability (Return on Assets - ROA) at PT New Ratna Motor Semarang (Nasmoco Group) from 2021 to 2024 using a dynamic linear regression model (Autoregressive), several functional conclusions can be drawn. The Cash Conversion Cycle (CCC) variable was found to have a negative and partially significant effect on Profitability (ROA). This indicates that the faster or shorter a company's cash conversion cycle, the more efficient working capital management becomes, which directly increases the company's profitability. Conversely, Firm Size, proxied by the natural logarithm of total assets, did not have a significant effect on Profitability (ROA). The scale of total assets managed quarterly by the company was not a major determinant of fluctuations in net profit, which indicates suboptimal asset capacity or internal efficiency constraints. In line with this, the Leverage (DER) variable also showed no partial significant effect on Profitability (ROA). The proportion of debt or liability usage in PT New Ratna Motor's capital structure does not have a real impact on ROA performance, because the dealer's external funding is more directed to finance operational turnover, vehicle unit inventory, and trade receivables, not to spur instant profitability. However, simultaneously, all independent variables (CCC, Firm Size, DER) along with the historical control variable (ROA_Lag) are proven to have a significant effect together on profitability with a very good model fit value, where the Adjusted R Square value shows that 78.1% of the company's profitability variation can be explained by this dynamic model.

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