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The Influence of Activity Ratio Factors on Profitability with Good Corporate Governance as an Intervening Variable

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ABSTRACT

This study aims to test and analyze the influence of activity ratio factors including asset turnover ratio (TATO), account receivable turnover (ARTO), inventory turnover (ITO), and account payable turnover (APTO) on profitability, with good corporate governance (GCG) as a moderating variable in telecommunication companies. The population consists of 18 companies, with 7 companies meeting the criteria and selected as samples. These companies are listed on the Indonesia Stock Exchange for the period from the first semester of 2019 to the second semester of 2023. The study employs panel data regression using financial statement data. The results show that ARTO, ITO, and APTO have no significant effect on GCG, while TATO has a negative effect. ARTO has a significant negative effect on profitability (ROE), whereas ITO and TATO have negative but insignificant effects. GCG does not moderate the relationship between TATO, ARTO, ITO, and APTO and the profitability of telecommunication companies listed on the Indonesia Stock Exchange

INTRODUCTION

Profitability is a key indicator of a company's ability to generate profits from its equity, with Return on Equity (ROE) serving as one of the most widely used performance metrics by investors. In the Indonesian telecommunications industry, ROE fluctuations highlight disparities in financial efficiency across firms, influenced by internal operational factors. Profitability is needed by many parties, such as shareholders, creditors, and other external parties (Salim et al., 2023). High profitability can help a company expand its facilities and capabilities (Setiawan & Hamzah, 2022). Profitability reflects the efficiency of resource management and the company's strategies in facing market challenges (Roslita & Daud, 2019).Asset Turnover Ratio (TATO), Accounts Receivable Turnover (ARTO), Inventory Turnover (ITO), and Accounts Payable Turnover (APTO) are commonly used activity ratios that reflect how effectively a company utilizes its assets, manages receivables and inventories, and handles its short-term liabilities. In capital-intensive sectors such as telecommunications, managing these financial ratios is essential for sustaining profitability. To evaluate a company's performance, one can refer to the financial ratios presented in the company's financial statements (Putri & Sudjono, 2024).

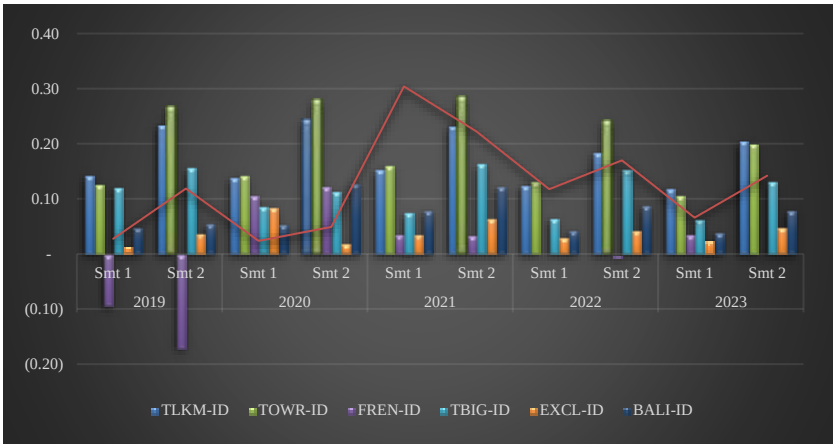

Figure 1. ROE of Telecommunication Companies in Indonesia from the First Semester of 2019 to the Second Semester of 2023

Another important factor influencing firm performance is the implementation of Good Corporate Governance (GCG). GCG improves accountability, transparency, and decision-making processes, all of which are expected to positively affect profitability. However, previous studies have shown mixed results regarding the role of GCG in moderating or mediating the relationship between financial ratios and firm performance.

Telecommunication companies also face challenges in maintaining profitability amid regulatory and policy changes, as well as the impact of external events such as the COVID-19 pandemic, which affected both the global and domestic economies. According to the Decree of the Minister of Health of the Republic of Indonesia Number HK.01.07/Menkes/328/2020, COVID-19 was first detected in Indonesia on March 2, 2020. Therefore, the period from the first semester of 2019 to the second semester of 2023 includes the occurrence of the COVID-19 pandemic and the subsequent recovery phase. At the same time, it is important to explore how the implementation of Good Corporate Governance (GCG) can influence the effectiveness of financial ratios in enhancing the financial performance of companies.

According to Jensen and Meckling (1976), agency theory explains that conflicts of interest between managers and shareholders can be minimized through the implementation of good corporate governance. Wulandari and Rahmawati (2019) highlights the role of Good Corporate Governance (GCG) as a mediator in the relationship between financial ratios and company performance.Several studies have highlighted that financial ratios such as total asset turnover and accounts receivable turnover can positively influence profitability (Rajagukguk & Siagian, 2021; Evelyn & Marsudi, 2022). However, conflicting evidence exists some findings indicate that asset turnover may not significantly impact profitability, particularly when good corporate governance (GCG) is considered as a moderating factor (Dewi et al., 2019). GCG itself has been recognized as a mediating or moderating variable in the relationship between financial indicators and firm performance (Purba, 2024), with mechanisms like independent audit committees potentially enhancing financial outcomes.

Similarly, inventory turnover shows both positive and negative associations with profitability. While efficient inventory management can boost profits (Fatmawati et al., 2024), excessively high turnover may indicate operational inefficiencies (Zyudistira et al., 2024). GCG practices such as the presence of independent boards and institutional ownership have generally been found to enhance profitability (Kholis et al., 2022; Putri & Trisnaningsih, 2021). Nonetheless, the moderating role of GCG in the specific relationship between inventory turnover and profitability remains inconsistent and may be limited (Fatmawati et al., 2024; Minanari & Aris, 2019).Profitability fluctuations in Indonesian telecommunication companies reflect not only managerial efficiency but also unresolved debates in academic literature. From a theoretical standpoint, the influence of activity ratios such as Total Asset Turnover (TATO), Accounts Receivable Turnover (ARTO), Inventory Turnover (ITO), and Accounts Payable Turnover (APTO) on profitability remains inconsistent, with some studies showing significant positive effects (Fatmawati et al., 2024; Kholis et al., 2022), while others demonstrate weak or even negative relationships (Minanari & Aris, 2019; Zyudistira et al., 2024). Moreover, the inclusion of Good Corporate Governance (GCG) as a moderating factor yields mixed results, as some findings suggest that independent boards and institutional ownership enhance profitability, while others

indicate limited or insignificant effects (Putri & Trisnaningsih, 2021; Purba, 2024). Practically, telecommunication firms operate in a highly dynamic regulatory environment and face rapid technological changes, capital-intensive structures, and post-pandemic recovery challenges, which complicate asset utilization and cash flow management. This gap between theoretical expectations and practical realities highlights the urgency of further empirical investigation (Jensen & Meckling, 1976; Spence, 1973).

This study aims to provide a comprehensive analysis of the relationship between activity ratios and profitability within Indonesian telecommunication firms. Specifically, it investigates the direct effect of TATO, ARTO, ITO, and APTO on profitability (ROE), the impact of these activity ratios on GCG, the direct influence of GCG on profitability, and the mediating role of GCG in linking financial efficiency with performance outcomes. These objectives are aligned with Agency Theory, which emphasizes the role of governance in reducing agency costs (Jensen & Meckling, 1976), and Signaling Theory, which positions financial ratios as signals of firm performance to external stakeholders (Spence, 1973). By articulating these objectives, this study addresses both theoretical inconsistencies in prior research (Fatmawati et al., 2024; Dewi et al., 2019) and practical challenges faced by telecommunication companies in managing profitability.

The novelty of this study lies in its focus on the telecommunication sector, which has received less scholarly attention compared to manufacturing and banking industries (Dewi et al., 2019; Purba, 2024). As a capital-intensive industry characterized by rapid technological shifts and complex asset management, telecommunications present unique challenges in asset utilization, receivable collection, and inventory turnover. Unlike previous studies that primarily examined governance as a moderating variable, this research integrates GCG as a mediating factor, thereby providing fresh empirical insights into how governance mechanisms shape the link between activity ratios and profitability (Kholis et al., 2022; Putri & Trisnaningsih, 2021). This integration not only extends the theoretical framework based on Agency and Legitimacy Theory (Dowling & Pfeffer, 1975) but also offers practical implications for managers and regulators aiming to strengthen governance practices and improve financial sustainability in the Indonesian telecommunication sector.

In accordance with academic writing conventions and reviewer suggestions, this study does not provide a separate section defining Agency Theory, Signaling Theory, or Legitimacy Theory. These frameworks are well-established in financial and governance research and have been extensively discussed in prior literature (Jensen & Meckling, 1976; Spence, 1973; Dowling & Pfeffer, 1975). Instead, their relevance is embedded in the formulation of research problems, objectives, and novelty, ensuring conceptual grounding without redundancy. This approach aligns with best practices in empirical studies, which emphasize clarity in problem formulation and contribution rather than re-stating widely accepted theoretical definitions (Fatmawati et al., 2024; Purba, 2024).

LITERATUR REVIEW

A. Agency Theory

According to Jensen & Meckling (1976), the theory explains about a relationship between on principal (shareholders) and agent (manager). Shareholders trust and give managers responsibility to manage the company to achieve desired goals. However, it’s not uncommon for managers to have other goals or interests that conflict with the company's main goals. This condition creates a conflict of interest (Putra and Budiasih, 2017).

B. Signaling Theory

According to Michael Spence (1973), the theory explains about involvement of 2 parties, insiders, such as

management, who act as signal senders, and outsiders, such as investors, who act as signal recipients. Spence also said that management strives to provide relevant information that investors can use through signals. Then, investor as signal receivers will adjust their decisions according to their understanding of the signals.

C. Legitimacy Theory

Legitimacy theory was first proposed by Dowling and Pfeffer (1975) in their journal titled *Organizational Legitimacy: Social Values and Organizational Behaviour*, which explains that legitimacy is a process through which society accepts an organization or company as a legitimate entity with the right to operate.

D. Profitability - Return on Equity

There are two main types of profitability ratios, namely Return on Assets (ROA) and Return on Equity (ROE) (Siregar et al., 2022). ROE measures net profit after tax relative to core capital or equity, thus reflecting the effectiveness of capital utilization in generating profits.

E. Good Corporate Governance

The concept of Good Corporate Governance (GCG) was first introduced by the Cadbury Committee in the United Kingdom in 1992 through a report known as the Cadbury Report. In this context, GCG can be defined as a system that governs the relationships between the board of commissioners, board of directors, shareholders, and other stakeholders, with the primary objective of enhancing accountability and corporate performance.

F. Account Receivable Turnover

According to Kasmir (2017), receivable turnover can be measured by dividing credit sales by the average accounts receivable. A high receivable turnover ratio indicates that the amount of funds invested in receivables is relatively low, suggesting that the company is effectively managing its receivables. Conversely, a lower ratio indicates excessive investment in receivables, which implies that the company is less efficient in managing its receivables (Yusuf & Hariani, 2024).

G. Inventory Turnover

Inventory turnover is a ratio that describes the frequency of inventory replacement within a one-year period (Kasmir, 2019). In other words, the inventory turnover ratio is used to measure the effectiveness of sales based on the amount of inventory held by the company (Sihombing et al., 2021).

H. Total Asset Turnover

According to Amalia et al. (2024), asset ratio is a measure of how well a company manages its assets to generate revenue, and it is used to assess financial management efficiency. Total Assets Turnover (TATO) is a ratio used to measure how effectively a company's total assets generate sales from each unit of asset owned (Andani et al., 2020).

I. Account Payable Turnover

The accounts payable turnover ratio is a metric used to assess how quickly a company pays its obligations to suppliers within a certain period (Ilter, 2020). This ratio reflects the efficiency of management in handling trade payables and indicates how well the company meets its obligations to suppliers. The measurement of accounts payable turnover is similar to that of accounts receivable turnover. It is intended to determine how many times the company's trade payables turn over in a year (Syamsuddin, 2004).

According to Sugiyono (2018), a conceptual framework is a model that illustrates the logical relationship between research variables based on relevant theories and previous research findings. This framework serves as the foundation for formulating hypotheses to be empirically tested. Similarly, Creswell (2012) states that a conceptual framework maps out the interrelationships among research constructs and clarifies the direction of the relationships to be further examined.

A conceptual framework illustrates the logical relationships between variables derived from theories and prior empirical findings, serving as the foundation for hypothesis formulation. According to Sekaran and Bougie (2016), a conceptual framework functions as a roadmap that links theoretical constructs with empirical testing, while Creswell (2014) emphasizes that it provides clarity on the interrelationships among variables. In this study, the framework integrates activity ratios Total Asset Turnover (TATO), Accounts Receivable Turnover

(ARTO), Inventory Turnover (ITO), and Accounts Payable Turnover (APTO) with profitability (ROE), mediated by Good Corporate Governance (GCG). This model reflects Agency Theory (Jensen & Meckling, 1976), which highlights the importance of governance in minimizing agency costs, and Signaling Theory (Spence, 1973), which views financial ratios as indicators of firm performance.

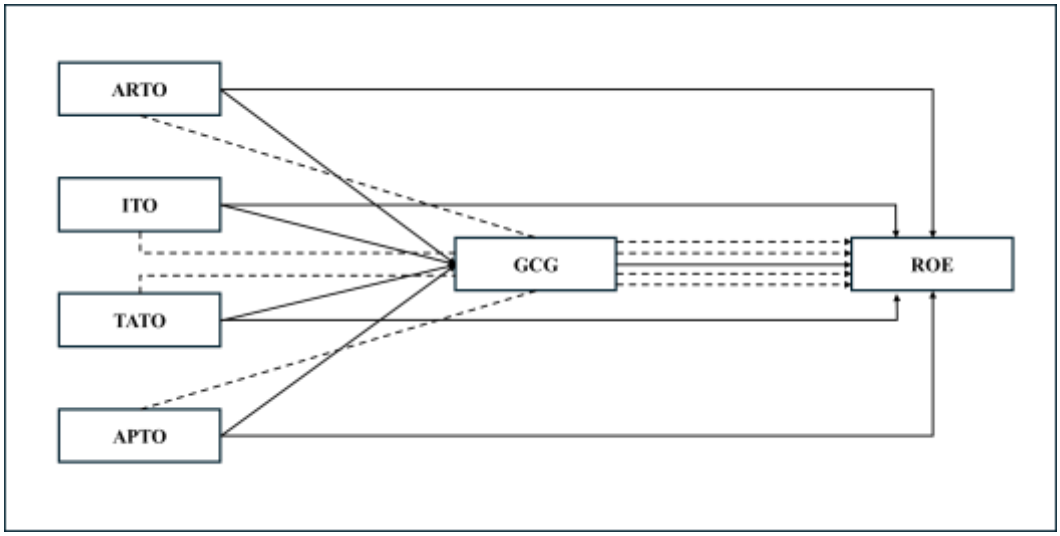

Figure 2. Research Framework

This study formulates 13 hypotheses based on theoretical foundations, prior empirical research, and observable phenomena in the Indonesian telecommunications industry. The hypotheses are categorized into three main groups.

1. The Effect of Financial Ratios on Good Corporate Governance (GCG), Good Corporate Governance, reflected in mechanisms such as board independence, audit committees, and institutional ownership, has been shown to positively affect firm profitability (Claessens & Yurtoglu, 2013; Kholis et al., 2022). Strong governance reduces agency conflicts and enhances managerial accountability, Hypotheses H1 to H4 explore the impact of activity ratios on the quality of GCG:

- H1: A higher accounts receivable turnover indicates efficiency and transparency in receivables management, supporting GCG principles.
- H2: A high inventory turnover reflects effective inventory management, enhancing stakeholder trust.
- H3: Total asset turnover reflects the efficiency of asset utilization, strengthening transparency and accountability.
- H4: Accounts payable turnover indicates how efficiently a company meets short-term obligations, enhancing its reputation and governance practices.

2. The Effect of Financial Ratios and GCG on Profitability, Previous studies indicate that efficient management of assets and working capital is crucial in enhancing firm profitability. TATO reflects the efficiency of asset utilization in generating revenue (Fatmawati et al., 2024), ARTO indicates the firm's ability to manage receivables effectively (Purba, 2024), ITO demonstrates the efficiency of inventory management (Zyudistira et al., 2024), and APTO shows the management of short-term liabilities (Dewi et al., 2019). Empirical evidence suggests varying impacts of these ratios on profitability across industries (Kholis et al., 2022; Putri & Trisnaningsih, 2021), Hypotheses H5 to H9 examine the direct relationship between financial ratios, GCG, and profitability:

- H5: GCG directly enhances profitability by improving trust, operational efficiency, and strategic decision-making.

- H6–H9: The turnover of receivables, inventory, assets, and payables each contributes to profitability through improved cash flow and operational effectiveness.

3. The Role of GCG as a Moderating Variable, The integration of GCG as a mediating variable is based on Agency Theory, which posits that governance mechanisms strengthen the effectiveness of financial decisions on performance (Jensen & Meckling, 1976). Empirical studies also suggest that governance can transmit and enhance the impact of operational efficiency on profitability (Claessens & Yurtoglu, 2013; Putri & Trisnaningsih, 2021), Hypotheses H10 to H13 assess GCG as a moderator in the relationship between activity ratios and profitability:

- H10–H13: Strong GCG enhances transparency, efficiency, and risk management in managing receivables, inventory, assets, and payables, thereby strengthening their positive influence on profitability.

METHOD

This study employs a quantitative causal research design. As stated by Sugiyono (2017), a causal quantitative approach is used to examine cause-and-effect relationships between variables. According to Brigham and Houston (2014), activity ratios indicate how efficiently a company utilizes its balance sheet components. The activity ratios include: Account Receivable Turnover, Inventory Turnover, Total Asset Turnover, ccount Payable Turnover. Activity ratios are used to measure how effectively balance sheet components are turned over within a single accounting period. These ratios are important because a company's operational efficiency directly impacts its profitability and liquidity.

Definition of Variable Operationalization and Variable Measurement

According to Sugiyono (2017), variable operationalization is the process of defining research variables in measurable terms. It involves translating abstract or theoretical concepts into concrete, observable indicators to enable relevant data collection. In quantitative research, this includes identifying indicators for each main variable and selecting appropriate measurement tools, such as Likert scales or numerical data. This process is essential for analyzing relationships between variables and ensuring the validity and reliability of the research. Table 2 outlines the variables used in this study.

Table 1. Operational Definition

Variable	Operational Definition	Measurement Formula	Scale
Total Assets Turnover	A company's ability to manage its assets to generate sales.	Total Assets Turnover = (Sales) / (Total Assets)	Ratio
Receivables Turnover	The speed at which a company collects receivables from credit sales.	Receivables Turnover = (Credit Sales) / (Average Receivables)	Ratio
Inventory Turnover	The frequency at which inventory is sold or reproduced within a given period.	Inventory Turnover = Sales / Inventory	Ratio
Accounts Payable Turnover	The speed at which a company pays its trade payables to suppliers within a specific period.	Accounts Payable Turnover = (Annual Credit Purchases) / (Average Accounts Payable) × 100%	Ratio
Good Corporate Governance	The application of corporate governance principles, including transparency, accountability, responsibility, independence, and fairness.	GCG Score = (Disclosed Score) / (Maximum Score) × 100%	Ratio
Profitability (ROE)	A company’s ability to generate profit from the shareholders’ equity.	Return on Equity (ROE) = (Net Income) / (Total Equity) × 100%	Ratio

The primary objective of this research is to test the hypotheses regarding the influence of the independent variables asset turnover, account receivable turnover, inventory turnover, and account payable turnover on the dependent variable, profitability. Furthermore, the study incorporates Good Corporate Governance as an intervening variable to assess its mediating role in the relationship between operational efficiency and financial performance. The operational definitions of all research variables, including their measurement and indicators, are presented in Table 1.

A. Research Variables

The variables used in this study are:

1) Dependen Variable: Profitability (ROE)

2) Independen Variable: Account Receivable Turnover (ARTO); Inventory Turnover (ITO); Total Asset Turnover (TATO); Account Payable Turnover (APTO).

3) Intervening Variable: Good Corporate Governance (GCG)

B. Population

The population in this study are all telecommunication companies registered in IDX for periode first semester 2019 – second semester 2023 with the total are 18 companies.

C. Sample

This study uses a purposive sampling method based on the following criteria:

Table 2. Sample Criteria

No	Criteria	Number
1	Telecommunication companies listed on the IDX during the period of Semester I 2019 – Semester II 2023.	18
2	Telecommunication companies that did not publish financial statements during the period of Semester I 2019 – Semester II 2023.	(4)
3	Telecommunication companies that did not have positive equity during the period of Semester I 2019 – Semester II 2023.	(3)
4	Telecommunication companies that did not have complete data on asset turnover, receivables, inventory, and accounts payable ratios during the period of Semester I 2019 – Semester II 2023.	(4)
Total Samples		**7**

RESULT AND DISCUSSION

A. Descriptive Statistical Analysis

Descriptive statistical analysis will describe the data values for each variable used in this study. The data includes min, max, mean, and std. dviation.

Table 3. Descriptive Statistical Result

	ARTO_X1	ITO_X2	TATO_X3	APTO_X4	ROE_Y	GCG_Z
Mean	15.72786	85.60157	0.227429	6.932429	0.099000	1.600000
Median	7.505000	56.58500	0.190000	3.335000	0.090000	2.000000
Maximum	89.33000	749.8700	0.610000	69.10000	0.670000	2.000000
Minimum	1.520000	0.260000	0.070000	1.070000	-0.170000	1.000000
Std. Dev.	17.73132	113.4299	0.137004	10.26125	0.120050	0.493435
Observations	70	70	70	70	70	70

The following table 3 research data that has been analyzed descriptively:

- ARTO has an average of 15.72786 with a high standard deviation of 17. 72786, indicating significant variation between companies. The skewness and kurtosis values show a non-normal distribution, with the data skewed to the right due to a few extreme values.

- ITO variable has an average of 85.60157 and a very large standard deviation, reflecting wide differences among companies in inventory turnover. The distribution is also non-normal and contains outliers.

- TATO shows an average of 0.227429 with a standard deviation of 0.137004. Skewness and kurtosis values suggest the data is slightly skewed to the right, indicating that some companies are significantly more efficient in asset utilization.

- APTO has an average of 6.932429 and a standard deviation of 10.26125, showing notable differences in how companies manage their payables. High skewness and kurtosis values indicate a highly non-normal distribution.

- GCG has an average score of 1.60 and is slightly skewed to the left, suggesting that most companies in the sample have relatively high GCG scores.

- ROE variable has an average of 0.099 with a standard deviation of 0.12005. The distribution is right skewed with outliers, indicating that a small number of companies have significantly higher profitability than the rest.

B. Panel Data regression Analysis Result

1) Regression Model-1

The effect of total asset turnover, account receivable turnover, inventory turnover, and account payable turnover on good corporate governance.

Table 4. Output Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1,79578	0,11737	15,30062	0,00000
X1	-0,00128	0,00339	-0,37814	0,70660
X2	0,00094	0,00062	1,52438	0,13230
X3	-1,33804	0,52134	-2,56654	0,01260
X4	0,00692	0,00577	1,19935	0,23470
R-squared	0,11183			
Adjusted R-squared	0,05717			
F-statistic	2,04594			
Prob(F-statistic)	0,09822			

The following table 4 the equation from the output of Regression Model 1. GCG = 1,79578 + (-0,00128*ARTO) + (0,00094*ITO) + (-1,33804*TATO + (0,00692*APTO) + ε => R^2 0,11183

- The constant coefficient is 1.79578, indicating that when all independent variables are zero, the dependent variable is estimated at 1.79578.
- The ARTO (X1) variable has a negative coefficient of -0.00128, meaning an increase in ARTO is expected to decrease the dependent variable by 0.00128.
- The ITO (X2) variable has a positive coefficient of 0.00094, indicating that an increase in ITO will increase the dependent variable by 0.00094.
- The TATO (X3) variable has a negative coefficient of -1.33804, implying that a rise in TATO will reduce the dependent variable by 1.33804.
- The APTO (X4) variable has a positive coefficient of 0.00692, suggesting that an increase in APTO will raise the dependent variable by 0.00692.

2) Regression Model-2

The Effect of Asset Turnover, Account Receivable Turnover, Inventory Turnover, and Account Payable Turnover on Profitability (ROE).

Table 5. Output Model 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,04118	0,02648	1,55554	0,12470
X1	-0,00270	0,00075	-3,62861	0,00060
X2	0,00052	0,00011	4,65402	0,00000
X3	0,23698	0,11086	2,13762	0,03630
X4	0,00028	0,00094	0,29970	0,76540
R-squared	0,41113			
Adjusted R-squared	0,37489			
F-statistic	11,34520			
Prob(F-statistic)	0,00000			

The following table 5 the equation from the output of Regression Model 2. ROE = 0,04118 + (-0,00270*ARTO) + (0,00052*ITO) + (0,23698*TATO) + (0,00028*APTO) + ε => R2 0,41113

- The constant coefficient is 0.04118, indicating that if all independent variables are zero, the dependent variable is estimated at 0.04118.
- ARTO (X1) has a negative coefficient of -0.00270, meaning a 1% increase in ARTO is expected to decrease ROE by 0.00270.
- ITO (X2) has a positive coefficient of 0.00052, indicating that a 1% increase in ITO will raise ROE by 0.00052.
- TATO (X3) shows a positive coefficient of 0.23698, suggesting that a 1% increase in TATO will increase ROE by 0.23698.
- APTO (X4) has a positive coefficient of 0.00028, meaning a 1% increase in APTO is predicted to raise ROE by 0.00028.

3) Regression Model-3

The Effect of Good Corporate Governance on Profitability (ROE).

Table 6. Output Model 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,08797	0,05578	1,57691	0,11950
Z	0,00690	0,02659	0,25933	0,79620
R-squared	0,00100			
Adjusted R-square	-0,01369			
F-statistic	0,06825			
Prob(F-statistic)	0,79469			

The following table 6 the equation from the output of Regression Model 3. ROE = 0,08797 + (0,00690*GCG) + ε => R2 0.00100.

- The constant coefficient is 0.08797, indicating that if the independent variable is zero, the dependent variable is estimated at 0.08797.
- Good corporate governance (GCG) has a positive coefficient of 0.00690, meaning that a one-point increase in GCG is expected to increase ROE by 0.00690.

C. Classical Assumption Test

1) Multicollinearity Test

The multicollinearity test aims to determine whether there is a correlation among the explanatory variables in the regression model. A good regression model should not have any correlation between the independent variables.

Table 7. Multicollinearity Test for Model 1 and 2

	X1	X2	X3	X4
X1	1,00000	0,19295	0,26525	0,11910
X2	0,19295	1,00000	0,56263	0,18495
X3	0,26525	0,56263	1,00000	0,19226
X4	0,11910	0,18495	0,19226	1,00000

Table 7 presents the results of the multicollinearity test among the independent variables X1, X2, X3, and X4. The correlation values range from 0.1191 to 0.56263, indicating that the relationships between the independent variables are relatively low to moderate. Specifically, X1 shows the highest correlation with X3 (0.26525) and the lowest with X4 (0.11910). X2 has a moderate correlation with X3 (0.56263) and a low correlation with X4 (0.18495). X3 and X4 display a low correlation of 0.19226. These results suggest that multicollinearity is not a concern, and the data meets the classical assumption of no multicollinearity.

2) Heteroscedasticity Test.

The heteroscedasticity test aims to determine whether the residuals vary across observations in a regression model. If the probability value is statistically insignificant at the 5% level ($p > 0.05$), the null hypothesis is accepted, indicating no heteroscedasticity. Conversely, if the probability value is significant ($p < 0.05$), the null hypothesis is rejected, meaning. Heteroscedasticity is present. The results of the heteroscedasticity test are as follows.

- Model – 1

The effect of total asset turnover, account receivable turnover, inventory turnover, and account payable turnover on good corporate governance.

Table 8. Heteroscedasticity Test-1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1,96803	0,10270	19,16311	0,00000
X1	0,00027	0,00261	0,10238	0,91880
X2	0,00103	0,00058	1,76679	0,08200
X3	-1,87595	0,54327	-3,45304	0,00100
X4	0,00652	0,00414	1,57707	0,11960

The following table 8 the heteroscedasticity test using RESABS as the dependent variable shows a probability value greater than 0.05, indicating that the data has passed the classical assumption of heteroscedasticity.

- Model – 2

The Effect of Asset Turnover, Account Receivable Turnover, Inventory Turnover, and Account Payable Turnover on Profitability (ROE).

Table 9. Heteroscedasticity Test-2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,03636	0,00887	4,09854	0,00010
X1	-0,00346	0,00043	-8,02668	0,00000
X2	0,00011	0,00012	0,89169	0,37580
X3	0,39657	0,03255	12,18180	0,00000
X4	0,00090	0,00072	1,23538	0,22110

The following table 9 the heteroscedasticity test using RESABS as the dependent variable shows a probability value greater than 0.05, indicating that the data satisfies the classical assumption of no heteroscedasticity.

- Model – 3

The Effect of Good Corporate Governance on Profitability (ROE).

Table 10. Heteroscedasticity Test-3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1,75253	0,06451	27,16581	0,00000
Y	-0,39111	0,42652	-0,91698	0,36240

The following table 10 the heteroscedasticity test using RESABS as the dependent variable shows a probability value greater than 0.05, indicating that the data has met the classical assumption of homoscedasticity.

3) Model Fit Tes - Coefficient of Determination (R2)

Table 11. Coefficient of Determination

Regression Model	(R-Squared)	Description
Model – 1	0,11183	The variables ARTO, ITO, TATO, and APTO contribute 11.18% in explaining GCG, while the remaining 88.82% is influenced by other variables outside the model.
Model – 2	0,41113	The variables ARTO, ITO, TATO, and APTO contribute 41.11% in explaining ROE, while the remaining 58.89% is influenced by other external variables.
Model – 3	0,00100	The GCG variable contributes 0.10% in explaining ROE, while the remaining 99.90% is influenced by other variables outside the model.
Model – 1	0,11183	The variables ARTO, ITO, TATO, and APTO contribute 11.18% in explaining GCG, while the remaining 88.82% is influenced by other variables outside the model.

4) Model Fit Tes - F-statistical test

Table 12. F- statistical test

Regression Model	Prob (F-statistic)	Explanation
Model - 1	0,09822	F-calculated < F-table and Prob(F-statistic) > 0.05, indicating that the model is not statistically significant simultaneously
Model - 2	0,00000	F-calculated > F-table and Prob(F-statistic) < 0.05, indicating that the model is statistically significant simultaneously.
Model - 3	0,79469	F-calculated < F-table and Prob(F-statistic) > 0.05, indicating that the model is not statistically significant simultaneously.

5) *Statistical-t Test*

The following table 12 the partial t-test or Wald test is conducted to analyze the individual impact of each independent variable on the dependent variable.

The results of the statistical t-test (partial t-test or Wald test) reveal the individual effects of each independent variable on Good Corporate Governance (GCG) and profitability (ROE) among telecommunications companies listed on the IDX. First, Account Receivable Turnover (ARTO) does not significantly affect GCG, as evidenced by a t-statistic of -0.378134, lower than the t-table value of 1.66691, and a p-value of 0.70660, greater than 0.05. Similarly, Inventory Turnover (ITO) does not significantly influence GCG, supported by a t-statistic of 1.52438 and p-value of 0.13230. In contrast, Total Asset Turnover (TATO) has a significant negative effect on GCG, with t-statistic = -2.56654 and p-value = 0.01260, indicating that higher asset efficiency may inversely relate to governance quality. Account Payable Turnover (APTO) also does not significantly impact GCG (t = 1.19935, p = 0.23470). Furthermore, GCG itself does not have a significant direct effect on profitability, with a t-statistic of 0.25933 and p-value of 0.79620.

Regarding the effect of turnover ratios on profitability, ARTO significantly and negatively affects ROE (t = -3.62861, p = 0.00060), suggesting that tighter receivables management, while improving cash flow, may reduce revenue. ITO positively and significantly influences ROE (t = 4.65402, p = 0.00000), reflecting cost efficiency benefits even in a telecom context with slower inventory rotation. TATO also positively and significantly affects ROE (t = 2.13762, p = 0.03630), indicating that efficient asset utilization enhances revenue generation. However, APTO does not significantly influence ROE (t = 0.29970, p = 0.76540), possibly because telecom firms rely more on long-term financing than on short-term payables.

The Sobel test was conducted to examine the mediating role of GCG between turnover ratios and ROE. The results indicate that GCG does not significantly mediate any of these relationships. Specifically, the Z-scores for ARTO (0.83063), ITO (0.79821), TATO (0.79638), and APTO (0.79989) were all below the critical values of 1.28 and 1.96, confirming the lack of mediation. This suggests that while GCG contributes to long-

term risk management, it does not significantly strengthen the link between operational efficiency measures and profitability in the context of Indonesian telecommunications companies.

In the discussion, the findings show that ARTO and ITO do not significantly affect GCG, likely because receivables and inventory management reflect operational efficiency rather than governance practices. TATO's negative effect on GCG indicates a possible trade-off between asset efficiency and governance quality. APTO similarly does not influence governance, suggesting that payment efficiency is not a reliable proxy for governance standards. Regarding profitability, ARTO negatively affects ROE, while ITO and TATO positively influence it, demonstrating the importance of efficient asset and inventory management for financial performance. APTO, however, has no significant effect on ROE, possibly due to the reliance on long-term financing. Finally, the lack of significant mediation by GCG across all tested paths indicates that governance mechanisms in these companies do not yet effectively translate operational efficiency into profitability improvements.

The direct effect analysis reveals that accounts receivable turnover, inventory turnover, and accounts payable turnover do not significantly influence good corporate governance, while total asset turnover has a significant negative effect. Conversely, accounts receivable turnover, inventory turnover, total asset turnover, and good corporate governance significantly affect profitability, whereas accounts payable turnover does not.

However, the Sobel test indicates that good corporate governance does not mediate the relationship between the independent variables and profitability at either the 5% or 10% significance levels. Although theoretically positioned as a potential mediating variable, the findings suggest that good corporate governance has not demonstrated such a role in this context. Further research is necessary to explore this mediation dynamic, particularly considering the strategic importance of corporate governance in the telecommunications industry.

DISCUSSION

The results of this study provide insights into the relationships between turnover ratios, Good Corporate Governance (GCG), and profitability (ROE) in Indonesian telecommunications companies. The analysis of Account Receivable Turnover (ARTO) indicates that it does not significantly affect GCG, as shown in Table 12, where the t-statistic is -0.378134 with a p-value of 0.70660. This finding suggests that operational efficiency in managing receivables does not directly influence the governance structure of telecom companies. The insignificance of ARTO on GCG aligns with previous research by Sapitri et al. (2024), which suggests that governance mechanisms are influenced more by regulatory frameworks and internal policies than by routine operational metrics. Similarly, Inventory Turnover (ITO) does not significantly affect GCG ($t = 1.52438$, $p = 0.13230$, Table 12), likely because telecom inventory largely consists of infrastructure assets that rotate slowly and have minimal immediate impact on governance practices. This is consistent with Arifin (2019), who noted that inventory-related efficiency influences governance only indirectly.

In contrast, Total Asset Turnover (TATO) shows a significant negative effect on GCG ($t = -2.56654$, $p = 0.01260$, Table 12), suggesting that higher asset efficiency may inversely relate to governance quality. This unexpected negative relationship may reflect a trade-off between operational efficiency and adherence to governance protocols, a finding also reported by Rajagukguk et al. (2021). Account Payable Turnover (APTO), however, does not significantly influence GCG ($t = 1.19935$, $p = 0.23470$, Table 12), indicating that payment efficiency alone is not a sufficient indicator of governance standards, which aligns with prior studies by Purnomo (2020) and Pitri Yani et al. (2023). Furthermore, GCG does not have a significant direct effect on ROE ($t = 0.25933$, $p = 0.79620$, Table 12), implying that the immediate financial impact of governance

practices is limited, though governance may still provide long-term benefits, as noted by Nawaz and Haniffa (2017).

Examining the direct effects of turnover ratios on profitability, ARTO negatively and significantly impacts ROE (t = -3.62861, p = 0.00060, Table 12), suggesting that while efficient receivables management improves cash flow, it may also indicate stricter credit policies that limit revenue growth. This finding is consistent with agency theory and studies by Arga et al. (2021), which highlight the balance between operational efficiency and financial outcomes. Conversely, ITO positively and significantly affects ROE (t = 4.65402, p = 0.00000, Table 12), reflecting that efficient inventory management contributes to cost reduction and profitability even in a sector where inventory turnover is relatively slow, as supported by Yusup and Hariani (2024). TATO also positively influences ROE (t = 2.13762, p = 0.03630, Table 12), indicating that effective utilization of company assets enhances revenue generation, corroborating findings from Rajagukguk and Siagian (2021). APTO does not significantly affect ROE (t = 0.29970, p = 0.76540, Table 12), which may be due to the greater reliance of telecom companies on long-term financing rather than short-term payables, contrasting with the results of Priansyah and Parasetya (2024).

The Sobel test results, presented in Table 13, indicate that GCG does not significantly mediate the relationship between turnover ratios and ROE. The Z-scores for ARTO, ITO, TATO, and APTO are all below the critical values of 1.28 and 1.96, confirming the absence of mediation. These results suggest that, in the context of Indonesian telecommunications companies, governance mechanisms do not yet effectively translate operational efficiency into improved profitability. The lack of mediation aligns with the view that internal controls and governance practices may take longer to influence financial performance directly, emphasizing the need for companies to strengthen governance frameworks to enhance operational-to-financial performance links.

Overall, the findings highlight that while operational efficiency, particularly in inventory and asset management, has a clear positive impact on profitability, its translation into improved governance quality is limited. The negative effect of TATO on GCG further suggests potential trade-offs between efficiency and adherence to governance protocols. The absence of a significant mediating role for GCG indicates that firms may benefit from reinforcing governance mechanisms to better support financial performance, aligning with theoretical expectations from agency and legitimacy theories while providing new insights specific to the telecom sector in Indonesia.

CONCLUSION

This study analyzes the influence of total asset turnover, account receivable turnover, inventory turnover, and account payable turnover on profitability, with GCG as a mediating variable, in telecommunications companies listed on the Indonesia Stock Exchange during the period from the first semester of 2019 to the second semester of 2023. Based on the findings, the following conclusions are drawn. (1) ARTO has no significant effect on GCG; (2) ITO has no significant effect on GCG; (3) TATO has a significant negative effect on GCG; (4) APTO does not significantly affect GCG; (5) GCG does not significantly affect ROE; (6) ARTO has a significant negative effect on ROE; (7) ITO has a significant positive effect on ROE; (8) TATO has a significant positive effect on ROE; (9) APTO has no significant effect on ROE; (10) GCG does not mediate the effect of ARTO on ROE; (11) GCG does not mediate the effect of ITO on ROE; (12) GCG does not mediate the effect of TATO on ROE; (13) GCG does not mediate the effect of APTO on ROE.

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