INTERNATIONAL JOURNAL OF ECONOMICS AND FINANCE STUDIES
Vol: 14 **No:** 04 **Year:** 2022 **ISSN**: 1309-8055 (Online) (**pp.** 292-308) **Doi:** 10.34109/ijefs. 20220115
Received: 11.08.2022 | **Accepted:** 11.11.2022 | **Published Online:** 15.03.2022

-RESEARCH ARTICLE-

DO ACTIVITY RATIOS RELATE TO GROSS PROFIT MARGIN? EVIDENCE FROM COMMUNICATION SECTOR IN BAHRAIN

Ruaa Binsaddig

Department of Finance, College of Business Administration,
University of Business and Technology, Jeddah, Saudi Arabia
Email: r.binsaddig@ubt.edu.sa
https://orcid.org/0000-0002-8436-7218

Anis Ali

Department of Management, College of Business Administration,
Prince Sattam Bin Abdulaziz University, Al kharj 11942, Saudi Arabia
Email: ah.ali@psau.edu.sa
https://orcid.org/0000-0001-7799-6043

Talal Al-Alkawi

Associate Professor, Accounting and Finance Department,
Applied Science University, Kingdom of Bahrain.
Email: talal.alalkawi@asu.edu.bh, drtalal60@gmail.com.
https://orcid.org/0000-0002-0842-8234

Basel J. A. Ali

Assistant professor, Accounting and Finance Department,
Applied Science University, Kingdom of Bahrain.
Email: basel.ali@asu.edu.bh., basil8011@gmail.com.
https://orcid.org/0000-0001-6259-2062

─Abstract─

The objective of this study is to determine the relationship between activity ratios, namely Accounts Receivable Turnover, Inventory Turnover, and Total Assets Turnover, and profitability ratios, specifically gross profit margin, among Bahraini communication sector companies that traded on the Bahrain bourse during the study period (2012-2021).

Binsadding, R., Ali, A., Al-Alkawi, T., Ali., B.JA. (2022). Do Activity Ratios Relate to Gross Profit Margin? Evidence From Communication Sector in Bahrain. *International Journal of Economics and Finance Studies, 14* (04), 292-308. doi:10.34111/ijefs. 20220114

Vol: 14 **No:** 04 **Year:** 2022 **ISSN**: 1309-8055 (Online) (**pp.** 292-308 **Doi:** 10.34109/ijefs. 20220115

The empirical estimations include descriptive analysis, testing for multi-collinearity, and regression analysis. The empirical data supports the existence of a positive link between profitability and total asset turnover, as indicated by the findings. A correlation between Inventory Turnover and Accounts Receivable Turnover and the profitability indicator could not be established. Businesses can utilize the findings of this study to evaluate employee performance and develop financial-based management methods. According to the survey, business leaders should focus on the critical factors of estimating whether a company will generate a profit.

Keywords: Activity Ratios; Profitability Ratios; Communication sector Companies; Bahrain Bourse

1. BACKGROUND OF THE STUDY

Essentially, the urge for social connection in communication is inextricable from humans. In the past, communication was restricted to short-distance face-to-face encounters and letter writing (for long distances). Yet, as science and technology progress and become more advanced, communication has become much more straightforward, if not very simple, and is now possible. Many businesses support technical advancement. Communications corporations are among the most active businesses. Several organizations competed for superior performance when numerous sorts of communications service offer began to emerge in tandem with technological advancements. The corporation regulates production inputs to generate outputs that satisfy societal needs (Endri, 2018). In addition, organizations today endeavor to improve their quality and management processes. Since the goal of every organization is to generate a profit, they must be able to oversee all aspects of their operations, notably financial management. Financial managers must conduct financial management as efficiently as possible to sustain and improve a company's success (Hasby et al., 2018).

By reviewing and calculating ratios in a company's financial statements, one can evaluate and comprehend a company's financial success (Hasby et al., 2018). As is common knowledge, financial ratios are straightforward and the oldest tool for financial analysis (Harban et al., 2021). From the mid-nineteenth century, accountants and financial analysts have employed this kind of economic study (Jawabreh et al., 2022). Internal and external consumers of financial data have benefited from utilizing ratio analysis to make solid economic judgments, such as performance and investment assessment decisions (B. J. Ali & Oudat, 2021a; Maulida & Mulyanto, 2020). Many accounting and financial models have been built in the preceding decades. Financial ratios have maintained their historical and fundamental strength until now (Indriaty, 2021). The primary objective of this study is to determine the relationship between inventory turnovers (InT), accounts receivable turnovers (ART), total asset turnovers (TAT), and constant profitability ratio or Gross Profit Margin (GPM) in Companies listed on the Bahrain Bourse, focusing on the Communication sector during the period

between 2012 and 2021, as it is one of the essential sectors in Bahrain that generates a high income. Specific activity ratios, such as (TAT) and (TATO), evaluate a company's ability to create sales profit relative to its total assets (Hasby et al., 2018). Account receivable turnover is the ratio of net sales to receivables, calculated by dividing net sales by receivables. The greater the accounts receivable turnover, the greater the profitability; conversely, the slower the profitability, the lower the accounts receivable turnover. According to (Riyanto, 2008), accounts receivable turnover is a ratio that demonstrates how long it takes to convert receivable accounts into cash. The time between credit and billing is shorter as turnover increases. Because fewer accounts cannot be collected, high turnover rates of accounts receivable can increase profitability. The total assets turnover ratio measures a company's capacity to manage its current assets to generate sales that could enhance its profit shortly (Hasby et al., 2018). The receivables turnover rate is based on the company's payment conditions (Amanda, 2019). Inventory turnover is the word used to indicate an increase in inventory caused by an increase in business activity or a change in inventory policy. A rise in inventory that is not proportional to an increase in activity indicates inefficient inventory management. More inventory turnover results in greater profitability (Amanda, 2019).

According to Hasby et al. (2018), a higher TATO value indicates a more rapid asset turnover in generating sales revenue. Businesses with the same total assets might increase their sales volume by increasing their total asset turnover. The time necessary for a company to convert its inventory into cash. Current assets consist of inventories actively obtained, processed, and sold to customers. To speed up generating sales cash flow, a company will need a robust (InT) (Jihadi et al., 2021). The growth in (InT) indicates the rapid turnover of capital invested in inventory. The sluggish level of (InT) implies that the company's inventories are held for a longer period, raising inventory costs and negatively affecting the company's total profit (Eryatna et al., 2021).

The financial ratio represents the logical relationship between two distinct quantitative financial variables. This association is considered a useful financial signal that many users of financial data can employ (Irman & Purwati, 2020). (Ebrahim et al., 2021; Irman et al., 2020). Any financial ratios may be useful and relevant compared to other critical information, such as the company's current or historical indicator(s) or other companies in the same industry. Even though financial ratios are regarded as useful and essential in financial analysis, they must be reviewed and analyzed with their limitations in mind to achieve the desired results (Kwak, 2019; Nawaiseh et al., 2021).

The profitability ratios will reveal the relationship between a company's income and its ability to profit at various operational levels (B. J. Ali & Oudat, 2021b; Jawabreh et al., 2022; Wang et al., 2021). Thus, these ratios reflect their overall productivity and managerial effectiveness (B. Ali, 2022; B. J. Ali & Oudat, 2021a; Jawabreh et al., 2021; Jawabreh, Shniekat, et al., 2022). Numerous profitability indicators are available, including (ROA), (ROE), (GPM), Net (NPM), and (NPM) (OPM). This study's

profitability metric will be GPM. The value of the paper is in its analysis of the influence of InT, TAT, and ART on the GPM of communication businesses listed on the Bahrain Bourse, which, to the author's knowledge, has not been studied previously.

The remainder of the research is organized as follows: The literature review is presented in Section 2. The third section addresses data and methods. Section 4 results in the section 5 conclusion and recommendations follow the discussion.

2. LITERATURE REVIEW

2.1 The Relationship between Activity Ratios and Profitability

An activity ratio is a type of financial metric that indicates how successfully a company uses its balance sheet assets to create cash and sales (Saleh et al., 2023; Warrad et al., 2015). Activity ratios assess the operational effectiveness of a business by analyzing its fixed assets, accounts receivable, and inventories. It illustrates a company's financial health and how the balance sheet's components are utilized (Kabajeh et al., 2012). Profitability refers to a company's ability to profit from all current sources and capabilities, such as cash, sales activities, capital, personnel, and branches (Amanda, 2019). A profitability ratio indicates how effectively a company uses its assets to generate profits and shareholder value. Profitability ratios quantify a company's ability to generate earnings relative to expenses over a certain period. The ratios reveal how efficiently a company uses its assets to generate profit (Jihadi et al., 2021; Shniekat et al., 2022). GPM is a profitability ratio representing the profit a company may generate from sales.

Fitriyanti et al. (2021) analyzed the impact of automobile businesses' transactions and inventory turnover on the Indonesian Stock Exchange's return on assets from 2014 to 2018, either simultaneously or partially. The data analysis for this study made use of several linear regression methods. The data found that cash turnover had a partially positive but insignificant effect on profitability and a partially positive but insignificant impact on profitability. There are both positive and negative consequences of (InT) on profitability. Similarly, Eryatna et al. (2021) examined the effect of receivable turnover, cash turnover, and (InT) on the profitability of 51 consumer products companies listed on the Indonesian Stock Exchange between 2016 and 2018. The results suggested that cash turnover had little effect on profitability. Cash turnover, receivable turnover, and (InT) affect profitability significantly, whereas cash turnover and (InT) have little impact on profitability. According to Lismana et al. (2021), it is a stable production sector that includes the extraction, exploitation, processing, and sale of minerals, coal, natural gas, and metals. This study was conducted to determine whether cash turnover (ART) and internal cash turnover (InT) affect ROA using document analysis and multiple linear regression techniques. The study found that cash turnover, ART, and (InT) did not affect ROA. Intangible Asset Turnover (InT) was sluggish, and inventory costs were higher

due to a decline in output, cash flow limits resulting from bad accounts receivable, and low sales.

Khoiroh et al. (2022) conducted a study to determine the effect of cash turnover, working capital turnover, and (InT) on the profitability of beverage and food manufacturing enterprises. The study examined the impact of cash turnover, working capital turnover, and (InT) on a company's profitability on the Indonesian Stock Exchange by analyzing 30 samples of annual financial statements from 2017 to 2019. This evaluation uses multiple linear regression. According to the regression analysis results, the influence of (InT) and cash turnover on profitability was minimal. Businesses can use this study to evaluate performance and make management decisions based on financial facts. In this study, only financial statements for enterprises are permitted. Fitriyanti et al. (2021) conducted a study investigating the partial or concurrent influence of ARTO, ITO, and CTO on profitability. From 2014 to 2017, the study focused on mining companies listed on the Indonesian stock exchange. In this study, samples from five companies were selected using a method of systematic sampling. In the investigation, multiple linear regressions were used. The results indicate that cash turnover had a significant and negative influence on ROA, whereas (ART) and InT had a considerable and favorable impact on ROA.

Recent research by Indriaty (2021) studied the effect of (InT), cash, and receivable turns on profitability. Financial statements from publicly traded telecom companies were collected throughout the first four quarters of 2020. Using Eview9, the panel data of nine companies were evaluated, yielding the fixed effect model as the optimal regression strategy. Cash turnover positively affects profitability, whereas (InT) and receivable turnover has little effect on profitability. As a result, the research revealed that cash turnover affected the profitability of the public business communications industry in Indonesia. During the Covid-19 outbreak, it was recommended that public firms in the telecommunications industry select the most profitable turnover model. From 2009 to 2017, Maulida and Mulyanto (2020) investigated the impact of Receivable Turnover, cash turnover, and (InT) on manufacturing enterprises' profitability on the Indonesian Stock Exchange. In this work, a multivariate regression method was applied. This study found that Cash Turnover had no effect on profitability; however, receivable turnover and (InT) variables positively impacted profitability. Recent research indicates that there is still a significant discrepancy between (InT), (ART), and (TAT) and profitability ratios. Using chemical-based industries listed on the Indonesian Stock Exchange as a case study, Amanda (2019) investigated the relationship between InT, cash turnover, receivable turnover, debt-to-equity ratio, current ratio, and profitability from 2013 to 2017. The study found that no other ratio significantly impacted profitability besides the current ratio, which has a positive and significant impact on profitability.

Hasbiah (2022) investigated the relationship between leverage, liquidity, and activity ratios and business profitability on the Indonesian stock exchange. In the study, multiple

linear regression analysis revealed that liquidity and leverage negatively influenced profitability, whereas activity ratios had a favorable impact. Endri (2018) analyzed the effects of return on assets, debt-to-equity ratio, market share, and earnings per share on the stock returns of the Indonesian telecommunications sector from 2012 to 2016. The study utilized the Fixed Effects Model for analysis. The results suggested that returns on assets and the debt-to-equity ratio positively and significantly impacted stock returns. In contrast, market share and earnings per share had a negative effect.

Warrad and Al Omari (2015) investigated the effect of various turnover ratios on the profitability of the Jordanian services sector between 2009 and 2012. The outcomes of the study indicated that turnover ratios had no meaningful effect on the profitability of the Jordanian services industry. Farooq (2019) examined the impact of inventory turnover on the profitability of Pakistan's sugar, cement, and automobile sectors. The study covers the years 2006 through 2015. A generalized Method of Moments (GMM) was utilized in the study that revealed inventory turnover had no significant effect on profitability.

3. CONCLUSION OF LITERATURE REVIEW AND RESEARCH GAP

(Indriaty, 2021; Lismana et al., 2021) discovered that (InT) did not affect profitability, whereas (Eryatna et al., 2021; Fitria & Suartini, 2021; Fitriyanti et al., 2021; Maulida & Mulyanto, 2020) discovered a substantial correlation.

Similarly, the study concluded that there was a discrepancy between ART and profitability findings from prior research, i.e. (Indriaty, 2021; Lismana et al., 2021) found that (ART) did not affect profitability, whereas (Eryatna et al., 2021; Fitriyanti et al., 2021; Maulida & Mulyanto, 2020) found a significant link with

Similarly, the study discovered that the results of previous research on TAT and profitability were inconsistent, i.e., (TAT) did not affect profitability, according to (Nariswari & Nugraha, 2020), however (Hasby et al., 2018) established a strong association between (TAT) and profitability. Hence, the link between InT, TAT, ART, and GPM is uncertain and requires further investigation. In addition, the literature research found that none of the prior studies investigated the influence of InT, ART, and TAT on GPM within the context of Bahrain's telecommunications industry. In exploring the nexus between InT, TAT, ART, and GPM in Bahrain's telecommunications sector, the current study makes a fresh contribution to the existing body of knowledge.

4. METHODOLOGY

In this study, quantitative correlational statistical tools are used to assess the degree of influence one variable has on the other. Correlation analysis is a statistical approach used to assess the strength of the relationship between two quantitative variables. A high

Vol: 14 **No:** 04 **Year:** 2022 **ISSN**: 1309-8055 (Online) (**pp.** 292-308 **Doi:** 10.34109/ijefs. 20220115

correlation between two variables indicates a significant relationship, whereas a low correlation indicates that variables are just distantly related.

This analysis includes all communication companies publicly traded on the Bahrain Stock Exchange between 2012 and 2021. Researchers who require access to a particular set of persons utilize the purposive sampling technique. In this strategy, all participants in a study are selected because they fit a specific profile. In this study, the sampling approach was referred to as purposive sampling. The inclusion criteria were that the firm had to be listed on the Bahrain market throughout the study period and possess all requisite data. The information was obtained from secondary sources, such as the company's annual financial reports. In this study endeavor, the data analysis method was Multiple Linear Regression using the SPSS 22 software. The operational definitions of the variables utilized in this inquiry are provided in Table 1.

Table 1. Operational Definition of Variables

Variables	Definition	Formulas
IV	(InT)	COGS / ((beg. inv. + End. Inv.)/2)
	(ART)	Net sales / / ((beg. A/R + End. A/R)/2)
	(TAT)	Net sales/ ((beg. Total assets + End. Total assets)/2)
DV	(GPM)	Gross Profit / Net sales

5. CONCEPTUAL FRAMEWORK

Using a conceptual framework, the research aims to estimate the association between activity and profitability ratios in Bahrain. It's going to take place in Bahrain. A visual representation of it is shown in Figure 1.

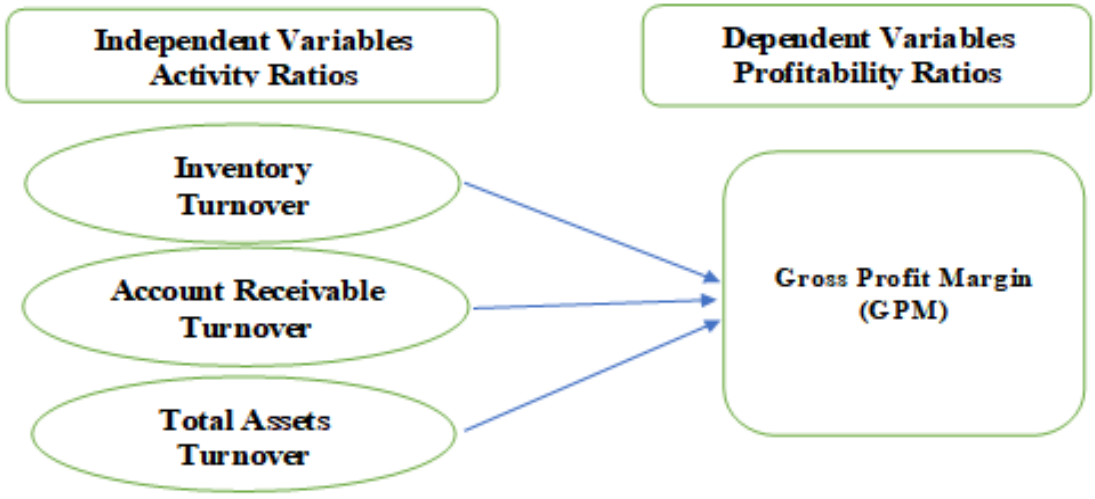

Figure 1: Conceptual Framework

Vol: 14 **No:** 04 **Year:** 2022 **ISSN**: 1309-8055 (Online) (**pp.** 292-308 **Doi:** 10.34109/ijefs. 20220115

Hypothesis:

H_1: InT has a significant relationship with GPM (Eryatna et al., 2021; Fitria & Suartini, 2021; Fitriyanti et al., 2021; Maulida & Mulyanto, 2020)

H_2: *ART has a significant relationship with GPM* (Eryatna et al., 2021; Fitriyanti et al., 2021; Maulida & Mulyanto, 2020)

H_3: TAT has a significant relationship with GPM (Hasby et al., 2018) (Fitriyanti et al., 2021).

6. ANALYSIS AND INTERPRETATION

Statistical software tools are utilized to conduct data analysis to draw conclusions and provide suggestions based on the research results (SPSS), as demonstrated by the following tests in this study.

6.1 Variable Descriptive Stat

Statistics analysis that provides a descriptive analysis of the variables is shown in Table (2).

Table 2. Descriptive statistic of variables

Variables	Obs.	Mini	Maxi	Mean	S. Deviation
(InT)	30	.949	12.977	5.30747	3.387633
(ART)	30	.095	1.870	.83073	.463522
(TAT)	30	.007	.189	.10833	.047573
(GPM)	30	-.435	.842	.51687	.304390

This study's communication sector had a minimum (InT) value of (0.949) and a maximum (InT) value of (12.977). The mean was 5,307, and the standard deviation was 3,388, indicating that the Communication Sector is thriving on the Bahrain Stock Exchange. The (ART) reveals that the Communication Sector (ART) had a minimum period of (.095) and a maximum period of (1,870). The mean is (.830), and the standard deviation is (.463), indicating that the communication sector on Bahrain's stock exchange is performing well.

This analysis demonstrates that the Communication Sector experienced a minimum (.007) times (TAT) and a maximum (.189) time (TAT) (TAT). According to the mean, it occurred (.108) times, but the standard deviation indicated that it happened (.109) times (.047). The Communication Sector had the lowest (GPM) of (-.435) and the highest (GPM) of (.842). The mean is denoted by (0.51687), whereas the standard deviation is indicated by (.304).

Vol: 14 **No:** 04 **Year:** 2022 **ISSN**: 1309-8055 (Online) (**pp.** 292-308 **Doi:** 10.34109/ijefs. 20220115

6.2 Multi-collinearity Test

The results of the tolerance calculation are shown in Table 3, which reveals that no independent variable has a tolerance value of less than 10 percent; all tolerance values are greater than 10 percent, indicating that the variables are unrelated. Based on the findings of the variance inflation factor computation, there is no single independent variable with more than 10 variance inflation factor (VIF) values. The tolerance value test indicates that the regression model does not exhibit multi-collinearity between the independent variables.

Table 3. Summary of Multi-collinearity Tests

Model		Collinearity Statistics	
		Tolerance	VIF
	(InT)	.496	2.015
	(ART)	.572	1.749
	(TAT)	.664	1.507
a. DV: (GPM)			

6.3 Correlations

Table 4. Correlations Quran

	(InT)	(ART)	(TAT)	(GPM)
(InT)	1			
(ART)	.521**	1		
(TAT)	-.393*	.160	1	
(GPM)	-.337	.062	.839**	1
The correlation analysis is also conducted in the study; its findings are given in Table 4. The results show a positive correlation between GPM with ART, TAT, and Int. Moreover, the independent variables are also found to be positively correlated with one another.				

According to Table 5's statistics, the value of R2 is.843, which corresponds to 84.3 percent. This demonstrates that the independent factors ((TAT), (ART), and (InT)) account for 84.3% of the overall effect on the examined variable (the dependent variable) (GPM). The remaining 15.7% is a non-research variable that affects the profitability of Communication Sector companies listed on the Bahrain stock exchange.

Table 5: Results Coefficient of Determination Regression Model GPM

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.843[a]	.711	.678	.172840	.726
a. Predictors: (Constant), (TAT), (ART), (InT)					
b. DV: (GPM)					

6.4 Regression Analysis

The tables that follow explain the independent variables (TAT, ART, and InT), as well as the profitability ratios (GMP) that were used in the regression analysis:

Table 7. An examination of the link between the (TAT), (ART), (InT), and (GPM)

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
	(Constant)	-.067	.118		-.569	.574
	(InT)	.006	.013	.071	.473	.640
	(ART)	-.076	.092	-.116	-.833	.413
	(TAT)	5.662	.828	.885	6.837	.000
a. DV: (GPM)						

6.5 Finding

To provide a brief overview of the findings, the research will assess the validity of each hypothesis based on each regression analysis result. Inventory (Turnover, ART, and TAT) and GPM were subjected to regression analysis.

H_1: InT has a significant relationship with GPM

As observed in Table (8), the t-statistic for the relationship between (InT) and (GPM) is (.473), and the P-value for this correlation is (.640). The results showed that the independent variable (InT) ratio had a p-value of.640 for lack of significance. This indicates that the null hypothesis H1 should not be accepted because the significance level of the variable is more than 0.05. This means that the (InT) Ratio does not affect GPM. One of the sectors listed on the Bahrain Stock Exchange is the Bahrain Communication Sector. These findings are consistent with those of Migang and Irawan (2019), Indriaty (2021), Suraya (2018), and Lismana et al. (2021), who stated that InT could not be used as a reliable measure of the performance of the rate of return on assets. This is because variations in InT are more likely to affect cash or receivables than the rate of return on any asset. Due to the specific nature of their business activities, telecom companies report revenue on a cash basis rather than an accrual one, ensuring that

variations in inventory turnover do not impact profitability. In addition, the inventory of telecommunications businesses consists of cables, telephone terminals, and other spare parts that are paid for upon usage. Inventory includes prepaid vouchers, wireless internet modems, telephone handsets, and Subscriber Identification Modules (SIM). Individual customers outnumber corporate or business clients. Thus, the company has more cash than credit sales, indicating that InT has no significant effect on GPM (Indriaty, 2021).

H_2: ART has a significant relationship with GPM

According to Table (8), the t-statistic and P-value for the connection between ART and GPM are (-.833) and (.413), respectively. These figures suggest no statistically significant link between the independent variable ART and the dependent variable GPM. This discovery rejected the second hypothesis regarding activity ratios and (GPM)s for the Bahrain Communication Sector on the Bahrain stock market, leading to this conclusion. The previous findings of Almadany and Ningsih (2021), Indriaty (2021), Lismana et al. (2021), Manullang et al. (2020), Kurniawan et al. (2020), and Nelly and Toni (2020) are consistent with these findings, as they argued that expectations of a company regarding sales in the form of cash rather than in the form of credit is the primary factor that The companies have a more significant number of retail clients than corporate or commercial customers. Because of the nature of the services and products sold to clients, cash sales are more valuable; hence, the effect of ART on GPM is negligible (Indriaty, 2021).

H_3: TAT has a significant relationship with GPM

As indicated in Table, the connection between (TAT) and (GPM) has a (t. statistic) value of (6,837) and a P-value of (0.000). (8). This shows that the independent variable (TAT) has a statistically significant association with the dependent variable (GPM) (GPM). Because the Bahrain Communication Sector has been listed on the Bahrain market, the third hypothesis of activity ratios with (GPM)s has been adopted. This study confirms the findings of a prior study (Hasby et al., 2018) and a subsequent study (Munawar, 2019), concluding that TAT positively affected profitability. Profitability is affected by having sufficient cash for operating purposes, promptly converting receivables into cash, maintaining a high inventory turnover rate, and how well advance payments on projects are proceeding. The availability of productive assets increases sales and positively impacts profitability via fixed and current assets, such as trade receivables, cash, advance payments, and inventory payments (Munawar, 2019).

Vol: 14 **No:** 04 **Year:** 2022 **ISSN**: 1309-8055 (Online) (**pp.** 292-308 **Doi:** 10.34109/ijefs. 20220115

5. CONCLUSIONS AND RECOMMENDATIONS

Table 8: Hypothesis Findings

Model					**t**	**Sig.**
		B	Standard. Error	Beta		
	(Constant)	-.067	.118		-.569	.574
	(InT)	.006	.013	.071	.473	.640
	(ART)	-.076	.092	-.116	-.833	.413
	(TAT)	5.662	.828	.885	6.837	.000
a. DV: (GPM)						

As is common knowledge, financial ratios are straightforward and the oldest tool for economic analysis (Harban, Ali, & Oudat, 2021). Activity ratios, such as Accounts Receivable Turnover, Inventory Turnover, and Total Assets Turnover, evaluate a company's ability to create sales profits based on its total assets. Considering the relevance of these variables, the purpose of this study was to empirically demonstrate the relationship between activity ratios such as (InT), (ART), and (TAT) and profitability ratios (GPM) on the Bahrain Stock Exchange from 2012 to 2021. To the author's knowledge, there is no study in the literature that quantifies the relationship between (InT), (ART), and (TAT) and profitability ratios (GPM) in Bahrain. The empirical estimation involves descriptive statistics, testing for multi-collinearity, estimation of correlation, and estimation of coefficients using regression analysis. The findings reveal no multi-collinearity issues, as the VIF is less than 10%. In addition, a positive correlation exists between all variables of the study. In regression analysis, the relationship between (InT), (ART), and additional profitability measures are revealed to be weak (GPM). In addition, there is no significant correlation between (InT) and (ART) (and GPM). As an activity indicator, the (TAT) ratio correlates significantly with (GPM). Consequently, the study concludes that the turnover of total assets increases the profitability or gross profit margin in Bahrain's telecommunications industry.

7. RECOMMENDATION

Based on the conclusions of this study investigation, the following recommendations are given: It is anticipated that more variables that may impact profitability, such as fluctuating sales and investments or turnover of fixed assets, will be included. A future study could concentrate on a new sector, not just the Communication Sector listed on the Bahrain Stock Exchange, but any other type of company. To investigate the impact of sales growth ratios, (InT) ratios, (ART) ratios, total asset turnover ratios, and growth potential on profitability measures such as (ROA, Net Profit Margin, and ROE, it is also possible to consider (InT) ratios (ART) ratios, total asset turnover ratios, and growth

potential. The research suggests that management should focus on the essential factors that determine the profitability of a business. It is recommended that investors utilize the study's findings to estimate or forecast the possible rate of return on assets based on the relevance of the overall assets. Companies must continue to increase their accounts receivable turnover because the faster the money spent on accounts receivable can be converted to cash or shown minimum embedded capital inputs, the better. Hence, the company's profitability can be increased.

8. LIMITATIONS

This study, like many others, contains limitations that must be addressed in future research. Not all ratios are included in the research model, which is a drawback of the study. This research does not encompass all Bahraini industries. Because this study only sampled one industry, communication, its findings cannot be generalized and may not represent other sectors. It is advised that future research expand the scope of the study by including more industries in the study sample. In addition, future research should incorporate more financial ratios to examine the relationship between financial ratios and profitability comprehensively.

REFERENCES

Ali, B. (2022). Integration of Supply Chains and Operational Performance: The Moderating Effects of Knowledge. *Information Sciences Letters, 11*(04), 1069-1076. doi: http://dx.doi.org/10.18576/isl/110407

Ali, B. J., & Oudat, M. S. (2021a). Accounting Information System And Financial Sustainability of Commercial and Islamic Banks: A Review of The Literature. *Journal of Management Information & Decision Sciences, 24*(5), 1-17. Retrieved from https://web.s.ebscohost.com/abstract?direct

Ali, B. J., & Oudat, M. S. (2021b). Board characteristics and intellectual capital performance: empirical evidence of bahrain commercial banks. *Academy of Accounting and Financial Studies Journal, 25*(4), 1-10. Retrieved from https://www.proquest.com/openview/a79ed3e8a1ae59d3723b41254d31ce25/1?pq-origsite=gscholar&cbl=29414

Almadany, K., & Ningsih, Y. R. (2021). Analysis of Receivables Turnover Against Liquidity and Profitability at the Medan LP3I Polytechnic. *The Journal of Accounting and Finance (JAFIN), 1*(01), 29-35.

Amanda, R. I. (2019). The impact of cash turnover, receivable turnover, inventory turnover, current ratio and debt to equity ratio on profitability. *Journal of Research in Management, 2*(2), 14 - 22. Retrieved from http://irs-managementstudies.com/index.php/irs

Endri, E. (2018). Determinants of stock returns of telecommunications companies listed on the Indonesia stock exchange. *Saudi Journal of Economics and Finance (SJEF),* 10. Retrieved from https://ssrn.com/abstract=3614554

Eryatna, E. N., Eltivia, N., & Handayawati, K. U. (2021, July). The Effect of Cash Turnover, Receivable Turnover, and Inventory Turnover Towards Profitability of Consumer Goods Companies in Indonesia. In *2nd Annual Management, Business and Economic Conference (AMBEC 2020)*, 191-197. Atlantis Press. doi: https://doi.org/10.2991/aebmr.k.210717.039

Farooq, U. (2019). Impact of inventory turnover on the profitability of non-financial sector firms in Pakistan. *Journal of Finance and Accounting Research, 1*(1), 34-51. doi: https://doi.org/10.32350/JFAR.0101.03

Fitria, S. M., & Suartini, S. (2021). The Effect Of Cash Turnover, Account Receivable Turnover And Inventory Turnover On Profitability. *Gorontalo Accounting Journal, 4*(1), 1-15. doi: https://doi.org/10.32662/gaj.v4i1.1214

Fitriyanti, S., Romli, H., & Zamzam, F. (2021). The Effect of Cash Turn Over, Account Receivable Turn Over and Inventory Turn Over on the Profitability of Mining Companies Listed on the IDX in 2014-2017. *Integritas Jurnal Manajemen Profesional (IJMPRO), 2*(1), 97-108. doi: https://doi.org/10.35908/IJMPRO.V2I1.82

Harban, F., Ali, B. J., & Oudat, M. S. (2021). The Effect of Financial Risks on the Financial Performance of Banks listed on Bahrain Bourse: An Empirical Study. *Information Sciences Letters, 10*(S1), 71-89. doi: http://dx.doi.org/10.18576/isl/10S1005

Hasbiah, H. (2022). Analysis of Liquidity, Leverage, and Activity Ratio on the Financial Profitability of Indonesian Telecommunications Industry. *Golden Ratio of Finance Management, 2*(1), 61-76. doi: https://doi.org/10.52970/grfm.v2i1.203

Hasby, Y. N. S. S. A., Anshori, M. Y., & Primasari, N. S. (2018). The Impact of Current Ratio, Receivable Turnover and Total Assets Turnover on Roa at Telecommunication Sub-Sector Companies Registered in Bei Year 2009-2017. In *PROCEEDING International Conference Technopreneur and Education 2018, 1*, (1). Retrieved from https://conferences.unusa.ac.id/index.php/ICTE18/article/view/444

Indriaty, L. (2021). The Effect of Inventory Turnover, Cash Turnover, and Receivable Turnover on Profitability at Telecommunication Companies during the Covid-19 Pandemi. *Journal of Economics, Finance and Management Studies, 4*(12), 1-8. doi: https://doi.org/10.47191/jefms/v4-i12-16

Irman, M., & Purwati, A. A. (2020). Analysis on the influence of current ratio, debt to equity ratio and total asset turnover toward return on assets on the otomotive and component company that has been registered in Indonesia Stock Exchange Within 2011-2017. *International Journal of Economics Development Research (IJEDR), 1*(1), 36-44. doi: https://doi.org/10.37385/ijedr.v1i1.26

Jawabreh, O., Abdelrazaq, H., & Jahmani, A. (2021). Business Sustainability Practice And Operational Management Inhotel Industry In Aqaba Special Authority Economic Zone Authority (ASEZA). *Geo Journal of Tourism and Geosites, 38*(4), 1089-1097. doi: https://doi.org/10.30892/gtg.38414-748

Jawabreh, O., Jahmani, A., Maaiah, B., & Basel, A. (2022). Evaluation of the contents of the five stars hotel website and customer orientation. *Information Sciences Letters, 11*(4), 1077-1085. doi: http://dx.doi.org/10.18576/isl/110408

Jawabreh, O., Shniekat, N., Saleh, M. M. A., & Ali, B. (2022). The strategic deployment of information systems attributes and financial performance in the hospitality industry. *Information Sciences Letters, 11*(5), 110504. doi: http://dx.doi.org/10.18576/isl/110510

Jihadi, M., Vilantika, E., Hashemi, S. M., Arifin, Z., Bachtiar, Y., & Sholichah, F. (2021). The effect of liquidity, leverage, and profitability on firm value: Empirical evidence from Indonesia. *The Journal of Asian Finance, Economics and Business, 8*(3), 423-431. Retrieved from https://www.koreascience.or.kr/article/JAKO202106438543370.page

Kabajeh, M. A. M., Al Nu'aimat, S., & Dahmash, F. N. (2012). The relationship between the ROA, ROE and ROI ratios with Jordanian insurance public companies market share prices. *International Journal of Humanities and Social Science, 2*(11), 115-120. Retrieved from https://www.ammanu.edu.jo/english/pdf/StaffResearch/business/10032

Khoiroh, A., Alkusani, A., & Reviandani, W. (2022). The Effect of Working Capital Turnover, Cash Turnover and Inventory Turnover on The Profitability of Companies Listed on The Indonesian Stock Exchange. *Innovation Research Journal, 3*(1), 34-39. doi: http://dx.doi.org/10.30587/innovation.v3i1.3728

Kurniawan, H., Khosasih, W., & Simatupang, P. (2020). Effect of Solvency, Current Ratio and Accounts Receivable Turnover on Profitability in Basic Industrial Companies and Chemicals Listed on The Indonesia Stock Exchange 2015-2019 Period. *International Journal Research and Review, 7*(12), 518-525. Retrieved from https://d1wqtxts1xzle7.cloudfront.net/65318725/IJRR0076-libre.pdf?1609597320

Kwak, J. K. (2019). Analysis of inventory turnover as a performance measure in manufacturing industry. *Processes, 7*(10), 760. doi: https://doi.org/10.3390/pr7100760

Lismana, H., Yulianti, R., Herdina, V., Mareta, F., & Purnamasari, I. (2021). The Effect of Cash Turnover, Account Receivable Turnover and Inventory Turnover on ROA in Mining and Quarrying Sector Companies Listed in IDX From 2017-2019. *Jurnal REKOMEN (Riset Ekonomi Manajemen), 5*(1), 30-38. Retrieved from https://garuda.kemdikbud.go.id/documents/detail/2297955

Manullang, A. E. A., Togatorop, D., Purba, P. R. D., Manik, E. A. Y., Simorangkir, E. N., & Lase, R. K. (2020). The Significance of Accounts Receivable Turnover, Debt to Equity Ratio, Current Ratio to The Probability of Manufacturing Companies. *International Journal of Social Science and Business, 4*(3), 464-471. doi: https://doi.org/10.23887/ijssb.v4i3.27874

Maulida, S., & Mulyanto, S. (2020). The Effect of Cash Turnover, Receivable Turnover and Inventory Turnover on the Profitability of Manufacturing Companies Listed

on the Indonesia Stock Exchange. *Ekonomika45, 6*(2), 23-34. Retrieved from https://univ45sby.ac.id/ejournal/index.php/ekonomika/article/download/38/31

Migang, S., & Irawan, A. (2019). The Effect of Cash Turnover, Working Capital Turnover, Receivable Turnover, and Inventory Turnover on Return On Assets in Ceramic Companies Listed on the Indonesia Stock Exchange. *Jurnal GeoEkonomi, 10*(2), 219-238. doi: https://doi.org/10.36277/geoekonomi.v10i2.60

Munawar, A. (2019). The effect of liquidity, leverage and total asset turnover on Profitability: Empirical Study of Manufacturing Companies in Indonesia Stock Exchange 2012-2017. *Internaational Journal of Economics and Management Studies, 6*(9), 126-131. Retrieved from https://www.researchgate.net/profile/Aang-Munawar-2/publication/338158841

Nariswari, T. N., & Nugraha, N. M. (2020). Profit growth: impact of net profit margin, gross profit margin and total assests turnover. *International Journal of Finance & Banking Studies (2147-4486), 9*(4), 87-96. doi: https://doi.org/10.20525/ijfbs.v9i4.937

Nawaiseh, K., Abd-Alkareem, M., Alawamleh, H. A., Abbas, K. M., & Orabi, T. G. A. (2021). Dimensions of corporate governance and organizational learning: An empirical study. *Journal of Management Information and Decision Sciences, 24*(5), 1-11. Retrieved from https://www.researchgate.net/profile/Hamzeh-Alawamleh/publication/355356876

Nelly, N., & Toni, N. (2020). The Effect of Treasury Turnover, Receivable Turnover, Working Capital Turnover and Current Ratio against Profitability Registered Food and Beverage Companies in Indonesia Stock Exchange for the Period 2013–2018. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal), 3*(3), 1847-1859. doi: https://doi.org/10.33258/birci.v3i3.1117

Riyanto, B. (2008). Fundamentals of State Spending. *Yogyakarta: BPFE*.

Saleh, M. M. A., Jawabreh, O., & Abu-Eker, E. F. M. (2023). Factors of applying creative accounting and its impact on the quality of financial statements in Jordanian hotels, sustainable practices. *Journal of Sustainable Finance & Investment, 13*(1), 499-515. doi: https://doi.org/10.1080/20430795.2021.1962662

Shniekat, N., AL_Abdallat, W., Al-Hussein, M., & Ali, B. (2022). Influence of Management Information System Dimensions on Institutional Performance. *Information Sciences Letters, 11*(5), 435-1443. Retrieved from https://digitalcommons.aaru.edu.jo/isl/vol11/iss5/12

Suraya, A. (2018). The Influence of Accounts Receivable Turnover and Inventory Turnover on Profitability at PT Sumber Alfaria Trijaya Tbk. *PINISI Discretion Review, 2*(1), 77-84. Retrieved from http://download.garuda.kemdikbud.go.id/article.php?article=1503630&val=17951&title

Wang, F., Chen, W., Fakieh, B., & Ali, B. J. (2021). Stock price analysis based on the research of multiple linear regression macroeconomic variables. *Applied Mathematics and Nonlinear Sciences, 7*(1), 267-274. doi: https://doi.org/10.2478/amns.2021.2.00097

Warrad, L., & Al Omari, R. (2015). The impact of turnover ratios on Jordanian services sectors' performance. *Journal of Modern Accounting and Auditing, 11*(2), 77-85. doi: https://doi.org/10.17265/1548-6583/2015.02.001

Warrad, L., & Rania, A. (2015). The impact of activity ratios among industrial sectors' performance: Jordanian case. *Research Journal of Finance and Accounting, 6*(6), 173-178. Retrieved from https://www.researchgate.net/profile/Lina-Warrad/publication/274370524