

## Cach to Cash (C2C): Insights Into Working Capital Turnover and Profitability

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### Abstract

The research objective was explain the effect of working capital management on profitability as measured by Net Profit Margin (NPM), Return on Equity (ROE), Return on Assets (ROA), Return On Capital Employed (ROCE) and Operating Profit Margin (OPM). ) in 18 companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. The data analysis technique used is panel data regression test with Eviews. The results showed that inventory turnover has a positive effect on ROA and ROCE, while inventory turnover has no effect on NPM, ROE and OPM. The average payment period has a positive effect on NPM, while the average payment period has no effect on ROA, ROE, ROCE and OPM. The average collection period has a negative effect on NPM, while the average collection period has no effect on ROA, ROE, ROCE and OPM. The cash conversion cycle has a positive effect on NPM and OPM, while the cash conversion cycle has no effect on ROA, ROE and ROCE.

**Keyword:** Working Capital Management, Profitability, Cash Conversion Cycle

### INTRODUCTION

Profitability as a measure of company profitability in this study is measured using five proxies. Furthermore, based on earlier investigation by Aldubhani et al., (2022) states that the profitability ratios measured using the ratio of margin of operational profit (OPM), income from assets (ROA), capital employed return (ROCE) and revenue from equity (ROE) are influenced by working capital management variables. Then in a similar study by Yousaf & Bris (2021) who examined similar matters related to management of working capital on company profitability, obtained different results between working capital on company profitability as measured using two proxies namely ROA and ROE, which in his research found results that working capital had a profound impact on ROA, while the outcomes found which is not significant working capital's influence on ROE. Refers to research Mardones (2022) shows conflicting results where the company's profitability (ROA and ROE) is influenced by working capital management.

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Working capital can be referred to as an investment that occurs in the company's current assets, these presently held assets are possessions that used in a short time, so that the period of use is usually less than one year (Kasmir, 2018). Working capital is important to manage properly, because this capital affects the risk return of the company (Phuong & Hung, 2020). The working capital policy that will be used by managers in the company is related to the risks that a manager dares to take (Megawati & Mulyanto, 2020). According to (Anton & Nucu, 2021), in his research, explained that high working capital can cause a decrease in profitability, this is due to the low return on investment in the company. Different statements put forward by (Fejzullahu & Govori, 2021) namely the addition of working capital owned by the company can have a positive impact, namely an increase in profitability, because a lot of working capital is assumed to give the company more opportunities to improve product quality and good management of the company's sales value.

The measurement ratios for working capital management in this research include inventory turnover, average time between payments and collections, and cycle of cash conversion. Inventory turnover or inventory movement is one of the activities in company management, especially for working capital so that the company will be more effective in making profits because of good management as a reflection of its profitability (Astuti & Aprianti, 2020). The average time required, often known as the average payment period, that needed by companies to pay for raw materials, in which the company's period of paying its debts to suppliers shows the amount of capital issued and managed in order to maintain the continuity of operational activities as a reflection of things that show the level of profitability (Phuong & Hung, 2020). Converting the company's receivables into cash, shows the success of collection of accounts receivable, the condition of working capital invested in receivables, and its influence on the level of company profitability (Sensini & Vazquez, 2021). The cash conversion cycle or the time it takes a corporation to create cash from its operations is measured as the cash conversion cycle, so that later it will affect asset management and the level of profitability obtained by the company (Giriyani & Diyani, 2019)

Research conducted by (Haron & Nomran, 2016) states that there is a negative effect between inventory turnover and profitability. Micheal et al. (2017) prove that inventory movement contributes to profitability due to an increase in inventory turnover. Kartikasary et al. (2021) found no effect between inventory turnover and profitability.

This research is motivated to provide specific and detailed descriptions of effective working capital management and success in food and drink (F&B) sub-sector companies. F & B companies are unique in that they are limited by product expiration dates. Management of F & B company managing working cash is crucial to avoid losses due to sales returns due to expiration. This means that working capital management must be carried out briefly before the expiry of the product expires. In addition, this study measures profitability using the ratios of Net Profit Margin (NPM), Income from Equity (ROE), Profit from Assets (ROA), Capital Employed Return (ROCE) and Margin of Operating Profit (OPM). This is done to identify what ratio is best for F&B subsector companies whose products have limited expiration dates.

Low inventory turnover can indicate that the company has too much inventory and may experience difficulties in selling products. This condition can lead to higher storage costs and capital costs, so that it can reduce the company's net profit margin which makes the company's profitability lower (Phuong & Hung, 2020). According to the Pecking Order Theory, businesses frequently choose cheaper and less risky funding sources to avoid the greater costs and risks associated with debt. If a company can generate a high level of ROE by using internal funding sources, this can help the company achieve its financial goals because the company can increase ROE by avoiding the costs and risks associated with debt (Anton & Nucu, 2021).

### LITERATURE REVIEW

#### Effect of Inventory Turnover on The Profitability

Research by (Boisjoly et al., 2020), (Phuong & Hung, 2020), (Nguyen et al., 2020), (Rey-Ares et al., 2021), (Lee, 2023), (Mandipa & Sibindi, 2022), and (Mazanec, 2022) proves that measuring working capital management with the inventory turnover ratio has a detrimental and significant effect on the profit company ratio. Low-turnover inventory can also decline in value over time, reducing the value of the inventory and a company's ability to generate a profit (Elsayed & Wahba, 2016). These results indicate that the longer the inventory turnover period, the company's profitability will decrease. Low inventory turnover indicates the company has a large inventory so it tends to require higher costs to maintain such as storage and insurance costs which can reduce profits.

H1: Inventory turnover has an effect on profitability.

#### Effect of Average Payment Period on the Profitability

The company will need more time to pay off its debts and may incur interest charges or late payment penalties, so this can reduce profits or have a detrimental effect on the business's profitability as measured through NPM (PHAM et al., 2020). The Pecking Order Theory also states that if a company takes a longer time to pay its debts, then the company may incur late fees or fines which will reduce the company's profits and ultimately reduce ROE. If the company continues to pay debts late, this can also affect the company's reputation among suppliers and encourage them to provide stricter payment terms or increase their selling price, thereby affecting profitability (Kasozi, 2017).

Research conducted by (Kasozi, 2017), (Phuong & Hung, 2020), (Vicente-Ramos et al., 2020), (Nguyen et al., 2020), (Sensini & Vazquez, 2021), (Lee, 2023), and (Mandipa & Sibindi, 2022) proves that working capital management as measured by the average payment period ratio has a negative and significant effect on the profitability ratio. Conversely, if the company is able to pay debts on time or within a reasonable period of time, it can increase the company's profitability by avoiding additional costs and increasing the trust of creditors and suppliers (Jakpar et al., 2017). These results indicate that the longer the debt repayment period to creditors and suppliers, the company's profitability will decrease. An average payment period that is too long indicates a delay in paying off debt which can affect business relationships with creditors and create the risk of creditors withdrawing their credit. This can reduce the company's trust and reputation in

the eyes of creditors and the market and hinder the company's ability to obtain financing in the future.

H2: Average payment period affects profitability.

### **Effect of Average Collection Period on the Profitability**

Research conducted by (Kasozi, 2017), (Jakpar et al., 2017), (Killingsworth & Mehany, 2018), (Vicente-Ramos et al., 2020), (Sensini & Vazquez, 2021), (Ahkam et al., 2021), and (Mandipa & Sibindi, 2022) proves that working capital management as measured by the average profitability ratio is negatively and significantly impacted by the collection period ratio. Delays in collecting receivables can affect the company's liquidity and hinder the company's ability to finance its operations or take advantage of other business opportunities, so that the higher the average collection period will be able to reduce the company's overall profitability (Belay et al., 2020). These results indicate that the longer the period of collection of accounts receivable, the company's profitability will decrease. A high average collection period indicates the longer time it takes the company to collect trade receivables from customers which will increase the possibility that some of these receivables will become bad debts, so that this condition reduces the profit or net profit of the company.

H3: Average collection period affects profitability

### **Effect of Cash Conversion Cycle on the Profitability**

In accordance with the Pecking Order Theory, if a company prioritizes internal funding, then the company may not need to focus too much on managing the cash conversion cycle because the company has sufficient internal funding sources to finance its operational activities. The longer the organization takes to convert investments in inventory and accounts receivable into cash flow, the higher the cash conversion cycle which can generate pressure on cash flow and the capacity of the business to pay debts, so that the high cash conversion cycle will negatively affect profitability (Yilmaz & Acar, 2019).

Research conducted by (Kasozi, 2017), (Guragai et al., 2019), (Soukhakian & Khodakarami, 2019), (Seth et al., 2020), (Phuong & Hung, 2020), (Rey-Ares et al., 2021) and (Mazanec, 2022) proves that the cash conversion cycle ratio, which measures working capital management, has a detrimental and considerable impact on the profitability ratio. This can have a detrimental effect on profitability as the company will have less cash to finance its day-to-day operations and business growth (Mandipa & Sibindi, 2022). These results indicate that the lengthier the time period for cash conversion, the company's profitability will decrease. The cycle of the company's cash conversion shows the level of supply chain efficiency and collection of payments from customers, so when a corporation has a lengthier and higher cash conversion cycle, it signifies that it takes longer to turn investments in inventory into cash.

H4: Cash conversion cycle affects profitability

## **METHOD**

In this study, working capital management is compared to profitability through the ratio of inventory turnover, average payment period, average

collection period, and cash conversion cycle measure with the ratio of Margin of net profit (NPM), revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE) and Margin of operating profit (OPM). In this study, businesses in the manufacturing sector's food and beverage subsector were examined between 2018 and 2021.

Inventory turnover (X1), is characterized as the ratio between the number of sales obtained by the company against the inventory owned by the company in a certain period. Measurement of inventory turnover variable from Kasmir (2018), Yousaf & Bris (2021) and Aldubhani et al., (2022) is:

$$\text{Inventory turnover} = \text{Sales}/\text{Supply}$$

Average payment period (X2), is defined as a ratio that measures how long the average time it takes to pay suppliers. Measurement of the ratio of the average payment period according to Kasmir (2018), Yousaf & Bris (2021) and Aldubhani et al., (2022) is:

$$\text{Average payment period} = (\text{Account Payable})/(\text{Sales Cost}) \times 365$$

Average collection period (X3), is defined as the ratio used in measuring how effectively working capital is used. Measurement of the cash conversion cycle ratio in terms of Kasmir (2018), Yousaf & Bris (2021) and Aldubhani et al., (2022) are as follows:

$$\text{Cash conversion cycle} = (\text{Account Receivable})/\text{Sales} \times 365$$

Cash conversion cycle (X4), is defined as the ratio used to see how much cash the company has due to the results of the operations that have been carried out, the size of this ratio uses the calculation of a certain day or period of time. Measurement of variable cash conversion cycle according to (Mandipa & Sibindi, 2022), Yousaf & Bris (2021) and Aldubhani et al., (2022) are as follows:

C2C = Days of Outstanding Sales (DSO) + Countdown to Sale Inventory (DSI) - Days of Outstanding Payables (DPO). The DSO, DSI and DPO indicators are calculated using:

Days of Sales Outstanding (DSO) = (Account Receivable)/Revenue X Days in period

Days of Sale Inventory (DSI) = AInventory/(Cost of Goods Sold) X Days in period

Days of Payables Outstanding (DPO)=(Account Payable)/Revenue X Days in period

Net Profit Margin (NPM), is defined as a comparison resulting from comparing the value of profits or profits received after tax deduction to the total value of sales made by the company within a specific time frame, this ability causes the company to be capable control various aspects financial position of the business statements. Net Profit Margin (NPM) variable measurement according to Kasmir (2018) and Pratama et al., (2021) is:

$$\text{Net Profit Margin} = (\text{Net After Tax Profit})/\text{Sales} \times 100\%$$

Return on equity (ROE), can be explained as the result of a comparison between The business's capacity to generate net profits and the amount of equity it owns. ROE determines how well a corporation uses invested funds to produce net

profit. Return on equity (ROE) variable measurement according to Kasmir (2018), Yousaf & Bris (2021) and Aldubhani et al., (2022) is:

$$\text{Return on equity} = (\text{Net Profit After Tax}) / (\text{Total Equity}) \times 100\%$$

Revenue from assets (ROA), defined as a comparison between the net profits obtained by the company after tax deductions have been made on all existing assets, this ratio displays the degree of efficiency of the company that uses existing funds including making efficient use of its assets. Return on assets (ROA) variable measurement according to Kasmir (2018), Yousaf & Bris (2021) and Aldubhani et al., (2022) is:

$$\text{Return on assets} = (\text{Net Profit After Tax}) / (\text{Total Aktiva}) \times 100\%$$

Return on capital employed (ROCE), can be defined as the business's capacity to use capital so that capital generates profits for the company. Measurement of the variable Return on capital employed (ROCE) according to Kasmir (2018) and Aldubhani et al., (2022) is:

$$\text{Return on capital employed} = (\text{Net Operating Profit}) / (\text{Total Aset} - \text{Current Liabilities}) \times 100\%$$

Operating profit margin (OPM), can be interpreted as an indicator of a company's capacity to generate pure profit by reducing all costs incurred in production, but this value does not include tax interest that must be paid on the income earned. Operating profit margin (OPM) variable measurement according to Kasmir (2018) and Aldubhani et al., (2022) is:

$$\text{Operating profit margin} = (\text{Operating provit}) / \text{Sales} \times 100\%$$

This study uses 26 organizations operating in the food and beverage segment as a population, where these companies have been published a stock exchange in Indonesia (IDX) between 2018 and 2021. Determining the sample as a reflection is done through purposeful sampling where deciding whether or not this sample has particular standards that must be considered, these criteria are businesses that appear on the IDX consecutively as well as continuously reporting the financial accounts of the company during the period 2018 to 2021. Through the criteria Based on this, there are 18 businesses in the food and beverage sector that are part of the research sample.

Multiple linear regression was used for data analysis with the aim of finding the effect that occurs between the independent variables of this study which consist of inventory movement (X1), typical payment duration (X2), Average time for collecting (X3), and Cycle of cash conversion (X4) on the two dependent variables are Net Profit Margin (NPM), revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE) and Margin of operating profit (OPM). This test was carried out using the help of the EvIEWS 10 program because it is in the form of panel data.

## RESULTS AND DISCUSSION

The findings of the Chow, Hausman, and Langrange multiplier tests indicate that the fixed effect model is the most effective one for this study. Table 1 displays the outcomes of the model selection.

**Table 1. Panel Data Test Results**

| Equality         | Testing        | Model Selection | Final decision |
|------------------|----------------|-----------------|----------------|
| Structure 1 (Y1) | Chow Test      | CEM vs FEM      | FEM            |
|                  | Hausman Test   | REM vs FEM      | FEM            |
| Structure 2 (Y2) | Chow test      | CEM vs FEM      | FEM            |
|                  | Hausman test   | REM vs FEM      | REM            |
|                  | <i>LM test</i> | REM vs CEM      | REM            |
| Structure 3 (Y3) | Chow Test      | CEM vs FEM      | FEM            |
|                  | Hausman Test   | REM vs FEM      | FEM            |
| Structure 4 (Y4) | Chow test      | CEM vs FEM      | FEM            |
|                  | Hausman test   | REM vs FEM      | REM            |
|                  | LM test        | REM vs CEM      | REM            |
| Structure 5 (Y5) | Chow Test      | CEM vs FEM      | FEM            |
|                  | Hausman Test   | REM vs FEM      | FEM            |

Source: Research Data, 2023

The selection of the model indicated that FEM (Fixed Effect Model) and REM (Random Effect Model) models were selected, so the FEM model was used for the structure test variables Y1, Y3 and Y5, while the REM model for the structure test variables Y2 and Y4 in this study was the model that best to answer the research objectives on the regression model. The estimation method used in the results of data processing with panel data regression for the structure of the variables Y1, Y3 and Y5 is both the Random Effect Model (REM) and the Fixed Effect Model (FEM) for the structure of the test variables Y2 and Y4.

Descriptive statistics in research aim to describe the data obtained in research from a data point of view in accordance with the top and lowest values, the average value of the data, the the data's standard deviation, and the amount of data observed in a research. This data also provides a clearer description of the condition of the population or sample used in the research. The characteristic data is presented to provide certainty that the data obtained is in accordance with the amount of data observed in one study period. Table 2 displays the descriptive statistics used in this study.

**Table 2 Descriptive Statistics of Research Variables**

|             | IT     | APP       | ACP      | C2C       | NPM      | ROE       | ROA     | ROCE    | OPM      |
|-------------|--------|-----------|----------|-----------|----------|-----------|---------|---------|----------|
| Observation | 72     | 72        | 72       | 72        | 72       | 72        | 72      | 72      | 72       |
| Maximum     | 42.480 | 41224.690 | 1770.860 | 1554.500  | 38.420   | 12932.370 | 42.390  | 93.460  | 49.860   |
| Minimum     | 0.170  | 199.110   | 2.070    | -6267.840 | -265.100 | -166.640  | -14.620 | -26.770 | -142.220 |
| Mean        | 8.870  | 6816.480  | 99.130   | -180.390  | -2.400   | 342.580   | 7.220   | 10.270  | 5.290    |
| Std. Dev.   | 7.740  | 9927.990  | 233.340  | 823.660   | 47.940   | 1990.020  | 9.990   | 18.130  | 32.870   |

Source: Processed data (Appendix 2), 2023

The results of the test for panel data regression which were processed through the use of eviews 10 software obtained results It is displayed in Table 3.

**Table 3. Regression Analysis Results**

| Variable          | NPM                  | ROE                | ROA                | ROCE               | OPM                |
|-------------------|----------------------|--------------------|--------------------|--------------------|--------------------|
| C                 | 0.849<br>(0.916)     | 508.469<br>(0.476) | -0.091<br>(0.977)  | 2.282<br>(0.691)   | 10.106<br>(0.113)  |
| X1_IT             | -0.0162<br>(0.980)   | -8.091<br>(0.866)  | 0.749<br>(0.006)** | 1.112<br>(0.002)** | 0.0164<br>(0.974)  |
| X2_APP            | 0.001<br>(0.011)**   | -0.012<br>(0.748)  | 0.0001<br>(0.510)  | -0.0001<br>(0.594) | -0.0003<br>(0.438) |
| X3_ACP            | -0.113<br>(0.000)*** | -0.230<br>(0.852)  | -0.004<br>(0.472)  | -0.009<br>(0.249)  | -0.019<br>(0.085)* |
| X4_C2C            | 0.008<br>(0.000)***  | -0.073<br>(0.831)  | -0.0005<br>(0.624) | -0.0003<br>(0.863) | 0.004<br>(0.041)** |
| R-squared         | 0.957                | 0.002              | 0.836              | 0.166              | 0.944              |
| F-statistic       | 52.995               | 0.040              | 12.190             | 3.335              | 40.190             |
| Prob(F-statistic) | 0.000                | 0.996              | 0.000              | 0.014              | 0.000              |

Source: Research Data, 2023

Information:

\* = 0.10

\*\* = 0.05

\*\*\* = 0.01

The t test for the ROE variable is not significant, as shown in Table 2, according to the findings of the F test. This means that all independent variables consisting of Inventories turnover, typical payment and collection times, and the cash conversion cycle have no effect on ROE. This result means that the ROE measurement model is not appropriate for the sector of food and drink studied in the 2018-2021 observation year.

### Discussion of Research Results

Based on Table 2's analysis findings reveal that inventory turnover has a profoundly favorable impact on company profitability as measured by ROA and ROCE proxies. Therefore, the more the inventory turnover, the greater, the investment turnover of food and beverage companies so that it will encourage increased company profitability and profitability of the revenue from assets (ROA) and Return on invested capital (ROCE). This is thought to be caused by the large investment in inventory which shows more efficiency due to high inventory turnover for one year and is able to reduce the cost of the inventory, as well as increase the possibility of profits which in turn can increase the company's profitability for the better. These results support the research conducted by Yudha (2017) who found that Inventory turnover has a beneficial impact on company profitability (ROA). This positive relationship indicates that the greater the inventory turnover, the better it will be because the more efficient all assets are used to support sales activities. These results are according to research Micheal et al., (2017) which proves that inventory turnover has a favorable impact on profitability because an increase in inventory turnover demonstrates the company's capability sell its product inventory more quickly and efficiently, so that the company can generate faster cash flow as a form of its profitability. The

findings of this research are compatible with the Du Pont system, in which this system examines aspects of the relationship that occurs between financial statement items such as total sales, assets and so on to the amount of profit earned by the company. The theory put forward in this system explains that the higher a company's ability to sell its product stock, the faster the company will benefit. The number of products that have been sold in a certain period shows how much sales volume the company has made, of course a high sales volume will bring greater profit or profitability for the company. These findings explain that the company always strives for inventory turnover as soon as possible so that it can have a positive impact on increasing company profitability.

Furthermore, the analysis results in Table 2 show that inventory turnover has no impact company profitability as determined by NPM, ROE and OPM proxies. The findings of this research explain how actually the inventory turnover of a company does not have a significant impact on the values of Margin of net profit (NPM), revenue from equity (ROE), and Margin of operating profit (OPM). The findings of this research provide support for the research conducted Aldubhani et al., (2022) suggests that the management of working capital as reflected through the ratio of inventory turnover does not show a significant effect on revenue from equity (ROE) and Margin of operating profit (OPM). These results also support the research Yousaf & Bris (2021) who found results that working capital has no significant effect on ROE. These findings contradict with the research conducted by (Boisjoly et al., 2020), (Phuong & Hung, 2020), (Nguyen et al., 2020), (Rey-Ares et al., 2021), (Lee, 2023), (Mandipa & Sibindi, 2022), and (Mazanec, 2022) which proves that measuring working capital management with the inventory turnover ratio has a detrimental and significant effect in terms of the profitability ratio. The findings in this research are not in line with the Pecking Order Theory which explains that the higher the number of products sold, the higher the inventory turnover and the more efficiently a company works, such that the business's profitability will advance. However, high inventory turnover indicates that the company has a large inventory, so it tends to require higher costs to maintain, such as storage and insurance costs, which can reduce profits. These conditions cause inventory turnover to have no significant effect on Margin of net profit (NPM), revenue from equity (ROE), and Margin of operating profit (OPM).

Table 2's analysis findings reveal that the average payment period has a profoundly favorable impact on company profitability as measured by the NPM proxy. Therefore, the more the average payment period, the business Net Profit Margin will increase. These results indicate that the longer debt repayments lead to an accumulation of working capital so that The price of capital will go down, which in the end the company is successful in recovering or controlling profits and sales. This is because there is a tendency for cash management, food and beverage companies to slow down the use of cash so that the company's cash is retained so as to maintain its credibility to unpaid suppliers, the purpose of this is to use as much as possible of existing cash, so that management capabilities are increasing and the NPM ratio is getting higher. This finding is in keeping with study findings disclosed by Wulandari (2018) stated that the ratio of the average payment period post showed has important and favorable impact on the company's ability to generate profits, especially This study was conducted on pharmaceutical firms that

were listed on the IDX from 2012 to 2016. Debt payments using high working capital led to an increase in net profit received by the firm. This result is consistent with the research conducted Purusa (2019) suggests that the time required to suspend a company's debt can increase the profitability ratio of the company.

Furthermore, the analysis results of Table 2 show that the Average payment period has no impact company profitability as measured by ROA, ROE, ROCE and OPM proxies. These results indicate that changes in the company's Average payment period ratio have no significant effect on revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE) and Margin of operating profit (OPM). These results support the research Rosyid & Prasetyono (2019) who found results that the Average payment period did not have a substantial impact on ROA. There is no effect of the Average payment period on company profitability as measured by revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE) and Margin of operating profit (OPM). This is due to the situation in companies engaged in the consumer products industry, production activities which are the activities of the company tend to show stable conditions, as a result even though the company postpones the payment of its current debts there is no increase in production value, this happens because the demand for the product also stable and no spikes in demand.

The Pecking Order Theory and this outcome are at odds with each other which also states that if the company takes a longer time to pay its debts, then the company may incur late fees or fines which will reduce the company's profits and ultimately reduce ROE. If the company continues to pay debts late, this can also affect the company's reputation among suppliers and encourage them to provide stricter payment terms or increase their selling price, thereby affecting profitability (Kasozi, 2017). These results also do not support the research conducted by (Kasozi, 2017), (Phuong & Hung, 2020), (Vicente-Ramos et al., 2020), (Nguyen et al., 2020), (Sensini & Vazquez, 2021), (Lee, 2023), and (Mandipa & Sibindi, 2022) proves that working capital management as measured by the Average payment period has a ratio negative and substantial impact on the profitability ratio. These outcomes show that the longer the debt repayment period to creditors and suppliers, the company's profitability will decrease. An average payment period that is too long indicates a delay in paying off debt which can affect business relationships with creditors and create the risk of creditors withdrawing their credit. This can reduce the company's trust and reputation in the eyes of creditors and the market and hinder the company's ability to obtain financing in the future. Conversely, if the company is able to pay debts on time or within a reasonable period of time, it can increase the company's profitability by avoiding additional costs and increasing the trust of creditors and suppliers (Jakpar et al., 2017).

Table 2's study findings reveal that the typical collection time has a significant negative effect on company profitability as measured by the NPM proxy. This means that the higher the typical collection time, the lower the net profit margin of the company. These results indicate that the longer the debt repayment period (the greater the working capital and the lower the cost of capital, which in the end the company succeeds in recovering or controlling profits and sales. This occurs when receivables are too high and result in decreased profitability due to

sales levels the company's credit is small. Therefore, sales volume will decrease so that the resulting profitability decreases. These results support the research carried out by (Mauliddiarti et al., 2022) who found that partially the effect of accounts receivable turnover on NPM is a significant negative effect. This can be described that every time the value of accounts receivable turnover increases and it is assumed that other variables' values are fixed, the Net Profit Margin decreases. These outcomes are consistent with the studies (Kasozi, 2017), (Jakpar et al., 2017), (Killingsworth & Mehany, 2018), (Vicente-Ramos et al., 2020), (Sensini & Vazquez, 2021), (Ahkam et al., 2021), and (Mandipa & Sibindi, 2022) proves that working capital management as measured by the average collection period has a ratio that negative and substantial impact on the profitability ratio. These outcomes indicate when the longer the period of collection in the case of receivables, the the profitability of the business decrease. A high average collection period indicates the longer time it requires the business to collect trade receivables from customers which will increase the possibility that some of these receivables will become bad debts, so that this condition reduces the profit or net profit of the company. Delays in collecting receivables can affect the company's liquidity and hinder the business's capacity to finance its operations or take advantage of other business opportunities, so that greater Average collection period will be able to reduce the company's overall profitability (Belay et al., 2020). The findings of this investigation support the Pecking Order Theory which states that if a company can manage its receivables properly and collect them on time, then the company can improve its operating efficiency and reduce financial costs. This can increase the company's profitability and ultimately increase ROE. However, if the company cannot manage its receivables properly and collect them late, the company may face liquidity problems and difficulties in meeting its financial obligations which can affect the company's financial health and ultimately reduce profitability (Killingsworth & Mehany, 2018).

Furthermore, the outcomes of the analysis show that the average collection period has no effect on company profitability as measured by ROA, ROE, ROCE and OPM proxies. These results indicate that changes in the company's Average collection period ratio have no significant effect on revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE) and Margin of operating profit (OPM). These results support the research Aldubhani et al., (2022) who found the results that working capital management or working capital management with a proxy account recoverable or average collection time has no discernible impact on on revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE). There is no effect of the Average collection period on company profitability as measured by revenue from equity (ROE), revenue from assets (ROA), Return on invested capital (ROCE) and Margin of operating profit (OPM) but shows a negative coefficient value. This is because in the market for consumer goods, especially he 18 businesses in the food and beverage sector from 2018 to 2021, sales decreased but there was an increase in receivables, where the increase in receivables should have indicated that the company's sales had increased. This condition is because the company has experienced the Covid-19 pandemic crisis which certainly has an impact on the company's operational activities. The fluctuations in receivables turnover in F&B

companies that are on the IDX for the period from 2018 to 2021 have had a certain impact on the ability of business to increase the cash of the business. Unstable accounts receivable turnover rate indicates that the business's capacity management in managing debt cannot increase cash, instead it causes the company's cash to decrease. This situation indirectly explains that the management of company receivables must always be improved.

Table 2's analysis findings demonstrate that the cash conversion cycle has a significant positive effect about business profitability as measured by NPM and OPM proxies. The findings of this research explain that a company's ability to manage company cash greatly influences the increase in the company's NPM and OPM ratios. Effective and efficient cash management shows how the company is able to manage cash in accordance with the amount of raw materials purchased, the amount of production funds issued so that the conversion of debt will decrease so that the company's profitability tends to increase as a result of this situation. The inventory owned by the company in production will also increase and cause the amount of cash owned by the company to also increase. The results of this study agree with the research findings disclosed by Ulum & Hartono (2017) where the findings explain that a longer cycle of cash conversion can increase the company's profit. This finding explains that the period of time that the company has in making efforts to pay receivables and receive cash that enters the company is going well. This is related to the decrease in the conversion of company debt so that there is an increase in profits that can be generated by the company in that period. These results also support the research Aldubhani et al., (2022) who discovered that the operating profit margin is significantly impacted by the cash conversion cycle. The results of these previous studies have become an empirical basis that strengthens the connection between the cycle of cash conversion that is owned and can increase the company's profitability to the maximum.

Furthermore, the analysis results in Table 2 show that the cash conversion cycle has no effect on company profitability as measured by ROA, ROE, and ROCE proxies. These results indicate that changes in the company's cash conversion cycle ratio have no significant effect on revenue from equity (ROE), revenue from assets (ROA), and Return on invested capital (ROCE). These results support the research Aldubhani et al., (2022) who found results that the cash conversion cycle has little impact on ROE and ROCE. Similar results by Jusmansyah (2020) also found the results that the profitability of the business is unaffected by the Cash conversion cycle Gross Profit Margin. The cash conversion cycle has no impact on business profitability as determined by revenue from equity (ROE), revenue from assets (ROA), and Return on invested capital (ROCE) because food and beverage sector companies in Indonesia during the 2018-2021 period faced the condition of the cash conversion cycle is unstable, so that the time period needed by food and beverage companies to generate cash from the company's operations tends to fluctuate, even the data shows the average the cycle's value of cash conversion in the 18 companies studied tends to be negative, which indicates the company is not in good condition. These results are inconsistent with the Pecking Order Theory which states that if a company can reduce the cash conversion cycle, it will get cash faster and be able to pay debts earlier. This can reduce interest costs and increase company liquidity, which in turn can increase ROE. However, if the company

extends the cash conversion cycle, then the company may face liquidity problems, need more loans to finance its working capital, and eventually incur additional costs to pay interest. This can affect the company's ROE (Rey-Ares et al., 2021). These results also do not support the research conducted by (Kasozi, 2017), (Guragai et al., 2019), (Soukhakian & Khodakarami, 2019), (Seth et al., 2020), (Phuong & Hung, 2020), (Rey-Ares et al., 2021) and (Mazanec, 2022) proves that The cash conversion cycle ratio, which measures working capital management, has a detrimental and considerable impact on the profitability ratio. These results indicate that The company's profitability will decline the longer the cash conversion cycle duration lasts. The company's cash conversion cycle shows the level of supply chain efficiency and collection of payments from customers, so a high when a company has a lengthier cash conversion cycle, it takes more time for it to convert inventory investments into cash. This can have a negative impact on profitability as the company will have less cash to finance its day-to-day operations and business growth (Mandipa & Sibindi, 2022).

Based on the analysis results in Table 2, the largest R Square value is 95.70 percent for the influence of IT, APP, ACP and C2C on NPM. So it can be said that a good model to see the impact of working capital management on food and beverage firms' profitability for the 2018-2021 period is NPM. Then the second is the influence of IT, APP, ACP and C2C on OPM with an R Square value of 94.40 percent, then the third is the influence of IT, APP, ACP and C2C on ROA with an R Square value of 83.66 percent, the fourth is the influence of IT, APP, ACP and C2C on ROCE with an R Square value of 16.60 percent and finally ROE with an R Square value of 0.24 percent.

### CONCLUSION

Inventory movement aro turnover has a significant favorable impact on company profitability as measured by ROA and ROCE proxies. Therefore, the more the inventory turnover, so the investment turnover will higher on of food and beverage companies so that it will encourage increased company profitability and profitability in terms of revenue from assets (ROA) and Return on invested capital (ROCE). Furthermore, The analysis's findings indicate that inventory turnover has no effect on company profitability as measured by NPM, ROE and OPM proxies. These results indicate that changes in the company's inventory turnover ratio have no significant effect on Margin of net profit (NPM), revenue from equity (ROE), and Margin of operating profit (OPM).

The average payment period has a profoundly favorable impact on company profitability as measured by the NPM proxy. Therefore, the more the average payment period, the company's Net Profit Margin will increase. Furthermore, The study's findings demonstrate that the Average Payment Period has no impact on Business Profitability as determined by ROA, ROE, ROCE and OPM proxies. These results indicate that changes in the company's Average payment period ratio have no significant effect on ROA, ROE, ROCE and OPM proxies.

The average time between collections is significant negative effect on company profitability as measured by the NPM proxy. This means that the higher the average collection period, the lower the net profit margin of the company. Furthermore, the results of the analysis show that the average collection period

has no effect on company profitability as measured by proxies for ROA, ROE, ROCE and OPM. These results indicate that changes in the company's Average collection period ratio have no significant effect on ROA, ROE, ROCE and OPM proxies.

The cash conversion cycle has a significant positive effect on company profitability as measured by NPM and OPM proxies. This means that the higher the cash conversion cycle, the company's Net Profit Margin and Operating profit margin will increase. Furthermore, the results of the analysis show that the cash conversion cycle has no effect on company profitability as measured by ROA, ROE, and ROCE proxies. These results indicate that changes in the company's Cash conversion cycle ratio have no significant effect on ROE, ROA), and ROCE.

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