The Effect Of Working Capital Management To Financial Performance Of The Company In Manufacturing Sector Listed In Indonesia Stock Exchange (Idx) Period 2013-2016

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ABSTRACT

This study aims to determine the effect of working capital management proxied by 5 independent variables, namely Working Capital Turnover (WCT), Cash Ratio (Csh R), Cash Conversion Cycle (CCC), Account Receivable Turnover (ARTO), and Inventory Turnover (ITO) on the company's financial performance in the 2013-2016 period. The research method used is panel data regression using Random Effects Model and Fixed Effects Model. The results showed that only Csh R and CCC had a significant positive effect on Financial Performance with ROA. Also, the results show that (ITO) have a significant positive effect impact on Financial Performance regarding Tobin'sQ. Moreover, the model without control variables found that (ARTO) and (ITO) also had a significant positive effect on Financial Performance manufacturing companies in the 2013-2016 period.

INTRODUCTION

Various business activities carried out by companies require funds, both to finance daily operational activities and to fund the company's long-term investment needs. Funds needed to finance the day-to-day operational activities of the company are called Working Capital. The requirements for daily operational activities include purchasing raw materials, paying wages for employee salaries, and the costs of other variables where the funds are expected to return to the company's cash as a result of the company's sales activities where the funds will be played back for activities subsequent operations and so on.

Managing working capital in a company is called working capital management. Working capital management is an activity that covers the overall management functions of current assets and current liabilities of the company. According to Esra and Apriweni in Rahma (2011) found 3 important elements in working capital management, namely cash, accounts receivable and inventory where the three elements of working capital can describe the level of capital efficiency. Therefore, this study has 5 independent variables that reflect the rotation of the three important elements, namely Working Capital Turnover (WCT), Cash Ratio (Csh R), Cash Conversion Cycle (CCC), Account Receivable Turnover (ARTO), and Inventory Turnover (ITO).

Based on previous research, there were diferent results of research. According to research conducted by Desnerita (2015) and Yanuarta (2013) the results show that there is a significant positive influence between working capital turnover on the company's financial performance. Meanwhile, according to research conducted by Shahzad (2015) states that working capital turnover does not have a significant relationship to the company's financial performance. Furthermore, the financial ratios of Cash Ratio and Cash Conversion Cycle have consistent research results, namely Shahzad (2015), and Tsagem (2015) show the results that Cash Ratio has a significant positive effect on corporate ROA. The results of the study according to Julnine (2013), Padachi (2006), and Tsagem (2015) noted that the Cash Conversion Cycle also has a significant positive effect on the company's ROA.

There are conflicting results on the Account Receivable Turnover variable on the company's financial performance. The research conducted by Yanuarta (2013) and Widyasari (2014) which states that Account Receivable Turnover does not have a significant effect on the company's ROA. Meanwhile, according to Padachi (2006), there is a significant positive effect between Account Receivable Turnover and corporate ROA. Moreover, Inventory Turnover variables have many different finding in previous studies. Regarding the effect of Inventory Turnover on the compay's financial performance, Shahzad (2015) found that inventory turnover does not affect the company's ROA, while the results of research conducted by Widyasari (2014) show that there is a significant negative between inventory turnover and company ROA.

In manufacturing companies, operational activities are the most critical part that greatly affects the survival of the company, because if proven operational activities do not run effectively and efficiently, this will directly affect the amount of profit the company receives. As previously explained that the day-to-day operational activities of the company are financed by funds called working capital, then working capital management is an activity that is very important in determining the survival of a company. Therefore, this study was conducted to find out how much influence the working capital management has on the company's financial performance in the manufacturing industry.

PURPOSES

The purpose of this study is to examine the effect of working capital turnover, cash ratio, cash conversion cycle, account receivable turnover, and inventory turnover on the company's financial performance empirically in the manufacturing sector listed on the Indonesia Stock Exchange (BEI) for the 2013-2016 period.

THEORETICAL STUDY

Financial Performance

Financial performance is the determination of certain measures that can measure the success of an organization or company in generating profits. Financial reports provide a variety of financial information that can reflect the company's financial performance in various aspects, namely aspects of liquidity, activity, solvency, profitability, and market value. Which can be analyzed through various financial ratios in it (Hanafi and Halim, 2009).

This research was conducted to reveal how much influence the management of working capital in a company on its financial performance is assessed from the aspect of profitability and market value of the company. This study measures the company's financial performance through profitability ratios in

particular by using the ROA (Return on Total Asset) ratio to see the company's ability to generate profits at the level of a particular asset with the following formula:

$$ROA = \frac{Net\ Profit}{Total\ Asset}$$

In addition, this study also uses the ratio of market value to see the development of corporate value based on how the market assesses the company, namely by using a ratio called Tobin's Q. Tobin's Q is a measure of company performance using market value. That way, the formula for measuring Tobin's Q Q value in this study is:

$$Tobin's\ Q = \frac{(Stock\ Price\ x\ Outstanding\ Share) + Total\ Liabilities}{Total\ Assets}$$

Working Capital Turnover

Working Capital Turnover is a ratio that measures how quickly current assets are invested in working capital for a company's operating activities, re-enter the company through the sale of its products. Referring to previous research conducted by Desnerita (2015) and Ambarwati (2015) the formula of working capital turnover is:

$$WCT = \frac{Sales}{Current\ Asset - Current\ Debt}$$

Cash Ratio

Cash Ratio is a comparison between cash and cash equivalents with current debt, so that in other words this ratio measures how much cash and cash equivalents to cover 1 rupiah of current debt owned by the company. Based on previous research conducted by Tsagem (2015) and Shah (2015) it can be seen that the formula of the cash ratio is:

$$Cash\ Ratio = \frac{Cash\ and\ Cash\ Equivalent}{Current\ Debt}$$

Cash Conversion Cycle

The Cash Conversion Cycle is a financial ratio to measure the time needed by a company to convert cash to generate cash back into the company. That way, the shorter the time it takes for the company to convert its cash back into the company, the better and more profitable it will be for the company. In measuring CCC there are 3 components that need to be calculated first, namely DIO (Average time needed to sell inventory), DSO (Average time needed to collect receivables), and DPO (Average time the company repays the debt).

Based on previous research conducted by Julnine (2013) and Padachi (2006) it can be seen that the formula of the cash conversion cycle is:

Cash Conversion Cycle = DSO + DIO – DPO

$$DSO = \frac{Account\ Receivable\ Average}{Credit\ Sales} : 365$$

$$DIO = \frac{Account\ Payable\ Average}{Purchasing} : 365$$

$$DPO = \frac{Inventory\ Average}{COGS} : 365$$

Account Receivable Turnover

Account Receivable Turnover is a ratio that measures how often receivables of a spinning company in a period are used as estimates of the average collection time of accounts receivable from debtors. Based on previous research conducted by Yanuarta (2013) and Widyasari (2014), the Account Receivable Turnover ratio formula used in this study is:

$$Acc.Receivable\ Turnover = \frac{Net\ Credit\ Sales}{Account\ Receivable\ Average}$$

Inventory Turnover

Inventory Turnover is a ratio that measures the level of inventory activity ranging from being produced to sold to consumers in a certain period. Based on previous research conducted by Shahzad (2015) it can be seen that the formula of inventory turnover is:

$$Inventory\ Turnover = \frac{Cost\ of\ Goods\ Sold}{Inventory\ Average}$$

Firm Size

In this study, only one control variable was used, namely Firm's Size or Company Size. Company size is the scale or size of assets owned by a company. The proxy used for the company size control variables in this study in accordance with previous researches by Ambarwati (2015) and Widaryanti (2009) are:

Firm Size= LN (Total Aktiva)

Hypothesis

Based on the literature review, the following hypothesis is formulated:
H1 = Working capital turnover affects the company's financial performance.
H2 = The cash ratio affects the company's financial performance.
H3 = The cash conversion cycle affects the company's financial performance.
H4 = Accounts receivable turnover affects the company's financial performance.
H5 = Inventory Turnover affects the company's financial performance.

RESEARCH METHODS

Population and Sampling

In this study the population used is all manufacturing companies listed on the Indonesia Stock Exchange in the 2013-2016 period. Based on the sample selection process with the purposive sampling method, it was found a total sample of 71 manufacturing companies that met these criteria. The number of observation data in this study was 284 data because 71 manufacturing companies were studied for 4 years, from 2013 to 2016.

RESULT AND FINDINGS

Descriptive Statistics

Descriptive statistics in this study describe a data that is seen from the average (mean), minimum (minimum) and maximum (maximum) values and standard deviation (standard deviation) for each manufacturing company listed on the IDX in the 2013-2016 period as many as 71 companies so that the total observation data in this study were 284 data.

Table 1. Descriptive Statistics
Manufacturing Companies on the Indonesia Stock Exchange

	ROA	TOBIN_S_Q	WCT (Rp)	CSH_R	CCC(Days)	ARTO (times)	ITO (times)	FSIZE
Mean	0.0359	1.382	24.603	0.944	-117.41	8.079097	5.217876	9,226,485
Median	0.0289	1.014	3.6656	0.160	-34.77	5.926129	4.123350	1,348,167
Maximum	0.2660	7.111	1894.0	89.60	497.0	60.00000	70.00000	261,855,0
Minimum	-0.5484	0.300	-224.00	0.001180	-3340.1	0.280249	1.023102	98,295,72
Std. Dev.	0.0776	1.001	157.85	5.49	383.57	7.418750	6.930803	30,709,72

Sources: Data analyzed by the researcher

The average value of ROA ratio is 0.035926 while the standard deviation ROA ratio is 0.077600 which means that the average value is smaller than the standard deviation value and this indicates that the ROA ratio experiences fluctuating movements with high variability during the period research. The average value of ROA in the sample of manufacturing companies during this study period was 0.0359,

which means that in general the proportion of net income that can be obtained by manufacturing companies during the study period was 3.5% of the total assets owned by each manufacturing company.

The average Tobin's q ratio is 1.382081 which is greater than the standard deviation value of 1.00108. This indicates that the level of variability in Tobin's q ratio tends to be low in the sample of manufacturing companies. The average value of Tobin's q ratio in the sample of manufacturing companies during this study period was 1.382081 which means that in general the market assesses the performance of manufacturing companies sampled in this study is 1.38 times greater than the value of the company or book value assets owned by the company itself.

Working Capital Turnover (WCT) has an average value of 24,603 and a standard deviation value of 157,858 which means that the value of WCT experiences fluctuating movement and high variability. The average value of WCT in the sample of manufacturing companies during this research period was Rp. 24,603 which indicated that the company was able to obtain sales of Rp. 24,603 from every 1 rupiah issued by the company as working capital.

Cash Ratio (Csh_R) has an average value of 0.944 and a standard deviation value of 5.49 which indicates that the Cash Ratio values experience fluctuating movements and have high variability during the study period. The average value of Cash Ratio in the sample of manufacturing companies during this study period was 0.944, which means that in general, manufacturing companies in this study were able to cover their current liabilities with cash and cash equivalents of 94.4% of the total current debt during the study period.

Cash Conversion Cycle (CCC) which has an average value of -117.41 and a standard deviation value of 383.57 which indicates that the value of the Cash Conversion Cycle (CCC) experiences fluctuating movements and has a high variability during the study period. The average Cash Conversion Cycle value in the sample of manufacturing companies during this study period was -117.41, which means that in general the manufacturing companies in this study had a debt repayment age that was relatively longer than the payout age which was shown by the large CCC value. negative. The negative CCC value indicates that the majority of manufacturing companies sampled in this study tend to use an aggressive working capital policy, which uses short-term debt as a source of corporate funding.

Account Receivable Turnover (ARTO) has an average value of 8.079 and a standard deviation of 7.418 this indicates that the level of variability in the Account Receivable Turnover (ARTO) value tends to be low in the sample of manufacturing companies. The average value of Account Receivable Turnover in the sample of manufacturing companies during this research period is 8.079 which means that in general the receivables of manufacturing companies in this study rotate as much as 8.079 times from accounts receivable due to credit sales and then cash into receivables that have been collected during one company accounting period.

Inventory Turnover (ITO) has an average value of 5.217 and a standard deviation of 6.930 which indicates that the value of Inventory Turnover (ITO) experiences fluctuating movements and has a high variability during the study period. The average value of Inventory Turnover in the sample of manufacturing companies during this research period is 5.217, which means that in general, the company's inventory rotates out and in the company, from being produced to sold to consumers as much as 5.217 times during the accounting period. This industry average can be a benchmark for the most effective and efficient inventory turnover value for manufacturing companies to obtain optimal profit.

The control variables in this study are Firm Size (FSIZE) which has an average value of Rp9226 billion and a standard deviation of Rp30709 billion which indicates that the Firm Size (FSIZE) values experience fluctuating movements and high variability. The Firm Size average value in the sample of manufacturing companies during this research period was Rp9226 billion, which means that the majority of manufacturing companies sampled in this study had total assets of Rp9226 billion.

Multicollinearity Test

In table 2 there is no correlation between variables or free from multicollinearity problems in the sample of this study indicated by the absence of correlation coefficients between independent variables that are more than 0.90.

Table2
Research Variable Multicollinearity Test Results

	WCT	CSH_R	CCC	ARTO	ITO	FSIZE
WCT	1.0000	(0.0241)	(0.0030)	(0.0526)	0.0550	0.0170
CSH_R	(0.0241)	1.0000	0.0870	(0.0637)	(0.0129)	(0.0757)
CCC	(0.0030)	0.0870	1.0000	0.1058	0.0556	(0.0058)
ARTO	(0.0526)	(0.0637)	0.1058	1.0000	0.1699	0.1047
ITO	0.0550	(0.0129)	0.0556	0.1699	1.0000	(0.1287)
FSIZE	0.0170	(0.0757)	(0.0058)	0.1047	(0.1287)	1.0000

Source: Data processed by researcher using eviews 9

Estimation Method

This study uses 4 regression equation models, that are:
1. Effect of Working Capital Management on Financial Performance in terms of profitability with ROA proxy without Firm Size control variables
2. Effect of Working Capital Management on Financial Performance in terms of market value with Tobin's Q proxy without Firm Size control variables
3. Effect of Working Capital Management on Financial Performance in terms of profitability with ROA proxy using Firm Size control variables
4. Effect of Working Capital Management on Financial Performance in terms of market value with Tobin's Q proxy using Firm Size control variables

Table 3. *Chow Test Result*

	Model 1	Model 2	Model 3	Model 4
Cross-section Chi-square	333.830206	499.476266	316.969849	530.558294
Probability	0.0000	0.0000	0.0000	0.0000

Source: Data processed by researcher using eviews 9

Based on the results of the chow test on models 1 to 4 it can be seen that the probability value is 0.0000 or 0.00 <0.05, which means that H0 is rejected and H1 is accepted. So it can be interpreted that the common effect model is not a model that is suitable for all 4 regression models in this study so that a thirst test is needed to determine the best model between the fixed effect model or random effect model.

Table 4. *Hausman Test Result*

	Model 1	Model 2	Model 3	Model 4
Cross-section Chi-square	4.218656	11.872111	3.853529	49.152331
Probability	0.5184	0.0366	0.6965	0.0000

Source: Data processed by researcher using eviews 9

Based on the results of the Hausman test on models 1 and 3, it can be seen that the probability value of the regression model the influence of working capital management on financial performance with ROA proxy without or with firm size control variables is more than 0.05, it can be concluded that the random effect model is a model which is most suitable to be used as a panel data regression model in the two regression models. Whereas for the results of thirst test on models 2 and 4, the probability value is less than 0.05, it can be concluded that the fixed effect model is the most suitable model to be used as a panel data regression model in the two regression models.

Table5.t *Test Result*

	FINANCIAL PERFORMANCE (Y)							
	Return on Asset (Y1)				*Tobin's Q* (Y2)			
	Without FSIZE		**With FSIZE**		**Without FSIZE**		**With FSIZE**	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	0.032742	0.0052	-0.237487	0.6108	0.862074	0.0000	28.00011	0.0000
WCT	1.01E-05	0.6713	9.45E-06	0.6922	0.000286	0.2722	0.000351	0.1476
CSH_R	0.001252	0.0346	0.001251	0.0351	0.001797	0.7798	0.001944	0.7453
CCC	7.77E-05	0.0000	7.77E-05	0.0000	-0.000104	0.4283	-9.48E-05	0.4382
ARTO	0.000748	0.3600	0.000819	0.3224	0.018078	0.0433	0.010923	0.1934
ITO	0.000916	0.5045	0.000944	0.4925	0.067639	0.0000	0.064823	0.0000
FSIZE			0.009593	0.5624			-0.963407	0.0000
Adjusted R-squared	0.763741 atau 76,37%		0.764124 atau 76,41%		0.831135 atau 83,11%		0.854378 atau 85,43%	
Observation	284		284		284		284	
Regression Model	*Random Effect*		*Random Effect*		*Fixed Effect*		*Fixed Effect*	

Source: Data processed by researcher using eviews 9

Hypothesis Testing Results

Effect of Working Capital Turnover on Financial Performance

The WCT coefficient value on ROA with the FSIZE control variable is 0.000000945 and the probability value is 0.6922 which is greater than 0.1. In table 7 also shows the WCT coefficient without the FSIZE control variable is 0.00000101 with a probability value of 0.6713 which is also greater than 0.1. It can be concluded that the independent variable Working Capital Turnover or working capital turnover has no significant effect on the company's financial performance, especially ROA with or without Firm Size control variables. This is in line with previous research conducted by Shahzad (2015), Shafwati (2015) and Widyasari (2014). This means that the addition of working capital to manufacturing companies is a good thing, but if it is not followed by an increase in production capacity and an increase in sales, it will be a burden for the company which directly influences the net income obtained by the company.

The WCT coefficient on Tobin's Q with the FSIZE control variable is 0.000351 and the probability value is 0.1476 which is greater than 0.1. In table 7 also shows the WCT coefficient without the FSIZE control variable is 0.000286 with a probability value of 0.2722 which is also greater than 0.1. It can be concluded that the independent variable Working Capital Turnover or working capital turnover has no significant effect on the company's financial performance, especially in terms of Tobin's Q value with or without Firm Size control variables. This is in line with previous research by Warouw, et al. (2016). The insignificant relationship between working capital turnover and market value shows that an increase in working capital turnover is not information that can increase investor confidence in the company.

Effect of Cash Ratio on Corporate Financial Performance

CSH_R coefficient value on ROA with the FSIZE control variable is 0.001251 with a probability value of 0.0351 smaller than 0.05. In table 7 also shows CSH_R coefficient value without the FSIZE control variable is 0.001252 with a probability value of 0.0346 which is also smaller than 0.05. It can be concluded that the independent variable Cash Ratio has a positive and significant effect at a 5% significance level with or without Firm Size control variables on financial performance, especially ROA as a proxy. This is in line with previous research conducted by Shah (2015), Widyasari (2014) and Tsagem, et al. (2015). They argue that the greater the cash and equivalent presence of the company to cover the amount of the company's short-term liabilities, the greater the amount of ROA obtained by the company.

CSH_R coefficient value to Tobin's Q with the FSIZE control variable is 0.001944 and the probability value is 0.7453 which is greater than 0.1. In table 7 also shows CSH_R coefficient value without the FSIZE control variable is 0.001797 with a probability value of 0.7798 which is also greater than 0.1. It can be concluded that the independent variable Cash Ratio or the cash ratio has no significant effect on

the company's financial performance, especially the Tobin "s Q ratio with or without the Firm Size control variable. This is in line with previous research conducted by Mahardhika (2016) and Yosephine and Tjun (2016). This is because the large market value of the company is more influenced by information that benefits investors, so the amount of the cash ratio does not affect the market value of the company (Mahardhika, 2016).

Effect of Cash Conversion Cycle on Corporate Financial Performance

CCC coefficient value on ROA with the existence of FSIZE control variable is 0.00000777 with a probability value of 0.0000 smaller than 0.01. In table 7 also shows the CCC coefficient without the FSIZE control variable is 0.00000777 with the same probability value that is equal to 0.0000 smaller than 0.01. It can be concluded that the independent variable Cash Conversion Cycle has a positive and significant effect on the 1% significance level with or without Firm Size control variables on financial performance, namely ROA as a proxy. This is in line with previous research by Julnine (2013), Iqra (2016) and Tsagem, et al. (2015). They argue that the greater the cash cycle time needed by the company to convert its cash, the greater the company's internal funds available to finance its operating activities without having to find external funds that contain a burden, so this will increase the company's net profit.

The CCC coefficient value on Tobin's Q with the FSIZE control variable is 0.00000948 and the probability value is 0.4382 which is greater than 0.1. In table 7 also shows the CCC coefficient without the FSIZE control variable is -0.000104 with a probability value of 0.4283 which is also greater than 0.1. It can be concluded that the independent variable Cash Conversion Cycle has a negative but not significant effect on the company's financial performance, especially in terms of Tobin 's Q market value as a proxy with or without a Firm Size control variable. This is in line with previous research conducted by Wijaya and Tjun (2013). The absence of a significant relationship between CCC's value and the company's market value is because the cash conversion cycle is not valuable information for investors to invest in a company.

Effect of Account Receivable Turnover on Corporate Financial Performance

The ARTO coefficient value on ROA with the FSIZE control variable is 0.000819 with a probability value of 0.3224 greater than 0.1. In table 7 also shows the ARTO coefficient value without the FSIZE control variable is 0.000748 with a probability value of 0.3600 which is also greater than 0.1. It can be concluded that the Account Receivable Turnover variable has no significant effect on the company's financial performance, especially ROA as proxies with or without Firm Size control variables. This is in line with previous research conducted by Wijaya and Tjun (2017) and Widyasari (2014). The high turnover of accounts receivable indicates the short age of accounts receivable which tends to reduce the interest of consumers, especially debtors to transact with companies on credit. This can reduce the value of the company's sales which indirectly affect the company's profitability, but the number of sales expenses, operating expenses and tax expenses have more direct effect on the amount of net income earned by the company.

The ARTO coefficient value for Tobin's Q with the FSIZE control variable is 0.010923 and the probability value is 0.1934 which is greater than 0.1. In table 7 shows the ARTO coefficient value without the FSIZE control variable is 0.018078 with a probability value of 0.0433 which is less than 0.05. It can be concluded that the Account Receivable Turnover variable has no significant effect on the company's financial performance based on Tobin 's Q market value as a proxy if it is with Firm Size control variables, in line with the research conducted by Lestari (2016). However, it has a positive and significant effect on the 5% significance level without Firm Size control variables, in line with the research conducted by Ernawati (2016) and Wahyuati (2017). This is because the more often the receivables rotate in a period, then it indicates that the level of liquidity of the company is high in value, which gives a positive information signal to the market that the company has a high ability to cover its short-term liabilities.

Effect of Inventory Turnover on Company Financial Performance

The coefficient of ITO on ROA with the FSIZE control variable is 0.000944 with a probability value of 0.4925 greater than 0.1. In table 7 also shows the coefficient of ITO without the FSIZE control variable is 0.000916 with a probability value of 0.5045 which is also greater than 0.1. It can be concluded that the independent variable Inventory Turnover has no significant effect on the financial performance of ROA as a proxy with or without a Firm Size control variable. This is in line with previous research conducted by Widyasari (2014), Shahzad (2015), and Diana (2016). This is caused by several samples in this study are manufacturing companies engaged in the automotive sector where the company is not dependent on the value of its inventory, especially for finished goods inventory. Like car supplies at PT.

Astra Internasional Tbk and PT. Indomobil International success Tbk which uses the indent system in its sales.

The coefficient of ITO to Tobin's Q with the FSIZE control variable is 0.064823 and the probability value is 0.0000 which is smaller than 0.01. In table 7 shows the coefficient of ITO without the FSIZE control variable is 0.067639 with a probability value which is also 0.0000 smaller than 0.01. It can be concluded that the independent variable Inventory Turnover has a significant effect on the 1% significance level of the company's financial performance, especially the Tobin's Q market value with or without the Firm Size control variable. This is in line with previous research conducted by Siswoyo (2012), and Wahyuati (2017). They argue that the faster the inventory rotates within a company, this indicates that the company has been able to manage its assets effectively and efficiently and is able to reduce the burdens caused by it, so that it is positive information for the market.

Effect of Firm Size on Company Financial Performance

The company size control variable (FSIZE) has a coefficient value of 0.009593 with a probability value of 0.5624 greater than 0.1. It can be concluded that the Firm Size control variable or company size does not significantly influence the company's financial performance, especially in terms of the profitability of the company by using ROA as a proxy. This is in line with previous research conducted by Febria (2013), Rikalmi, et al. (2014) and Ratnasari (2016). This is because the size of the company is not a guarantee that the company has been able to maximize its assets to achieve profits.

The company size control variable (FSIZE) has a coefficient value of -0.963407 with a probability value of 0.0000 smaller than 0.01. It can be concluded that the Firm Size control variable or company size has a negative and significant effect on the 1% significance level of the company's financial performance, especially in terms of the company's market value by using the Tobin's Q ratio as a proxy. This is in line with previous research conducted by Kausar, et al. (2014), Khan (2012) and Alkasinda (2012). This is because large-sized companies do not rely heavily on external funds from the public through the sale of shares and bonds, but they tend to prioritize privacy or focus on managing internal funds in order to increase ownership of the company.

Determination Coefficient

Based on the regression results in the first equation without using Firm Size as a control variable shows the adjusted R2 value is 0.7637 which means 76.37% dependent variable financial performance ROA can be explained by the five working capital management variables. Regression results in the second equation without using Firm Size as a control variable shows adjusted R2 value of 0.8311, which means 83.11% dependent variable financial performance of market value (Tobin's Q) can be explained by the five working capital management variables.

Based on the regression results in the third equation using Firm Size as a control variable shows the adjusted R2 value of 0.7641 which means 76.41% dependent variable financial performance ROA can be explained by the five working capital management variables. The magnitude of this effect proved to be greater than the regression equation without using the Firm Size control variable to the ROA profitability ratio. While the regression results in the fourth equation using Firm Size as the control variable shows adjusted R2 value of 0.8543 which means 85.43% dependent variable financial performance of market value (Tobin's Q) can be explained by the five capital management variables. The magnitude of the influence on this model is the highest value compared to all other regression equations in this study.

CONCLUSIONS AND SUGGESTIONS

In conclusion, it is noted that Working Capital Turnover has no significant effect on financial performance. Cash Ratio has a significant effect on the company's financial performance, especially regarding profitability (ROA) both with or without the Firm Size control variable. However, the cash ratio does not have a significant effect on the company's financial performance regarding market value. Moreover, The Cash Conversion Cycle has a significant effect on the company's financial performance, especially regarding profitability (ROA) both with or without the Firm Size control variables. However, the CCC does not have a significant effect on the company's financial performance regarding market value.

Furthermore, Account Receivable Turnover has no significant effect on the company's financial performance, especially regarding profitability (ROA). In contrast to the results of the company's financial performance regarding market value, there was a significant influence without using Firm Size but no significant effect if there was a Firm Size control variable. Finaly, Inventory Turnover does not significantly affect the company's financial performance, especially regarding profitability (ROA). However, there was a significant influence on the company's financial performance regarding market value either with or without the control variable.

To sum up, as the results show the crucial role of Cash ratio and cash conversion cycle in the manufacturing industry in Indonesia, it is noted that the investor in Indonesia cares on the ability of the firm to fullfil its liabilities.

Suggestions

Some suggestions implied from the research are: It is expected that the company can pay more attention and manage working capital elements effectively and efficiently. Secondly, Expanding research samples, not only manufacturing on companies. Furthermore, the usage of Firm Size control variables should be more classified into a more specific company scale.

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