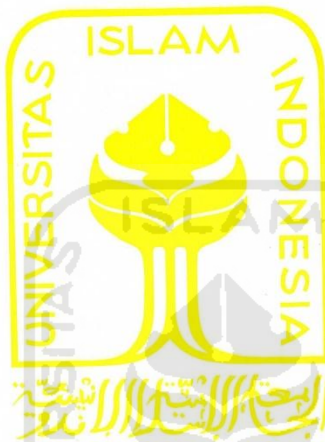


**THE RELATIONSHIP BETWEEN WORKING CAPITAL TOWARD FIRM VALUE
(EVIDENCE FROM RETAIL COMPANIES IN INDONESIA)**

A THESIS

Presented as Partial Fulfillment of the Requirements to
Obtain the Bachelor Degree in Accounting Department



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INTERNATIONAL PROGRAM

ACCOUNTING STUDY PROGRAM

FACULTY OF BUSINESS AND ECONOMICS

UNIVERSITAS ISLAM INDONESIA

2020

**THE RELATIONSHIP BETWEEN WORKING CAPITAL TOWARD FIRM VALUE
(EVIDENCE FROM RETAIL COMPANIES IN INDONESIA)**

APPROVAL PAGE

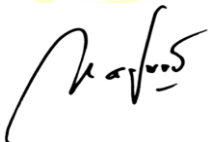
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LEGALIZATION PAGE

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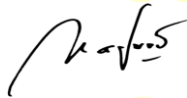
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DECLARATION OF AUTHENTICITY

Here I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have i presented anyone else's words, ideas, or expressions, without acknowledgement. All quotations are cited and listed in bibliography of the thesis.

If in the future this statement is proven false, I am willing to accept any sanction comlying with the determined regulation or its consequences.

Yogyakarta, October 9th, 2020



Muhammad Faruq



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Assalamualaikum Wr. Wb.

Alhamdulillah Rabbil'aalamin. All praise to Allah *subhanahu wa ta'ala* for enlighten me with religion of Islam and beloved prophet Muhammad *shallallahu'alaihi wa alaa alihi wa sallam* for guiding me to the way of the truth in understanding the religion of Islam for guiding to the way of truth in understanding the religion of Islam, hence this thesis could be finished. Finally, I could finish my thesis entitled **“The Relationship Between Working Capital Toward Firm Value (Evidence From Retail Companies In Indonesia)”**. I realize that this thesis would not have been possible without persistent help, trust, and support of those people surrounding me. In this occasion, I would like to say thank you for:

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I hope this study can give a positive contribution to the improvement in our world now and in the future.

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Muhammad Faruq

Table of Contents

TITLE	i
APPROVAL PAGE	ii
LEGALIZATION PAGE	iii
DECLARATION OF AUTHENTICITY	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vii
LIST OF TABLES & FIGURES	ix
LIST OF APPENDIX	x
ABSTRACT	xi
CHAPTER I: INTRODUCTION	1
1.1 Research Background	1
1.2 Problem Formulation	4
1.3 Research Objectives	4
1.4 Research Contribution	5
CHAPTER II: LITERATURE REVIEW	6
2.1 Resource Based Theory	6
2.2 Firm Value	8
2.3 Working Capital Management	9
2.4 Previous Research Table	11
2.5 Hypothesis Development	16
2.5.1 Cash Conversion Cycle	16
2.5.2 Receivable Collection Period	17
2.5.3 Inventory Collection Period	17
2.5.4 Payable Payment Period	18
2.6 Conceptual Framework	18
CHAPTER III: RESEARCH METHODOLOGY	19
3.1 Population and Sample	19
3.2 Sources and Data Collection Method	19
3.3 Research Variables	20
3.3.1 Independent Variables	20
3.3.2 Dependent Variable	21
3.4 Data Analysis Method	22
3.4.1 Descriptive Statistics	22
3.4.2 Classical Assumption Test	22
3.4.3 Multi Linear Regression	23
3.4.4 Coefficient of Determination	24
3.4.5 Hypothesis Testing	24
CHAPTER IV: DATA ANALYSIS AND DISCUSSION	26

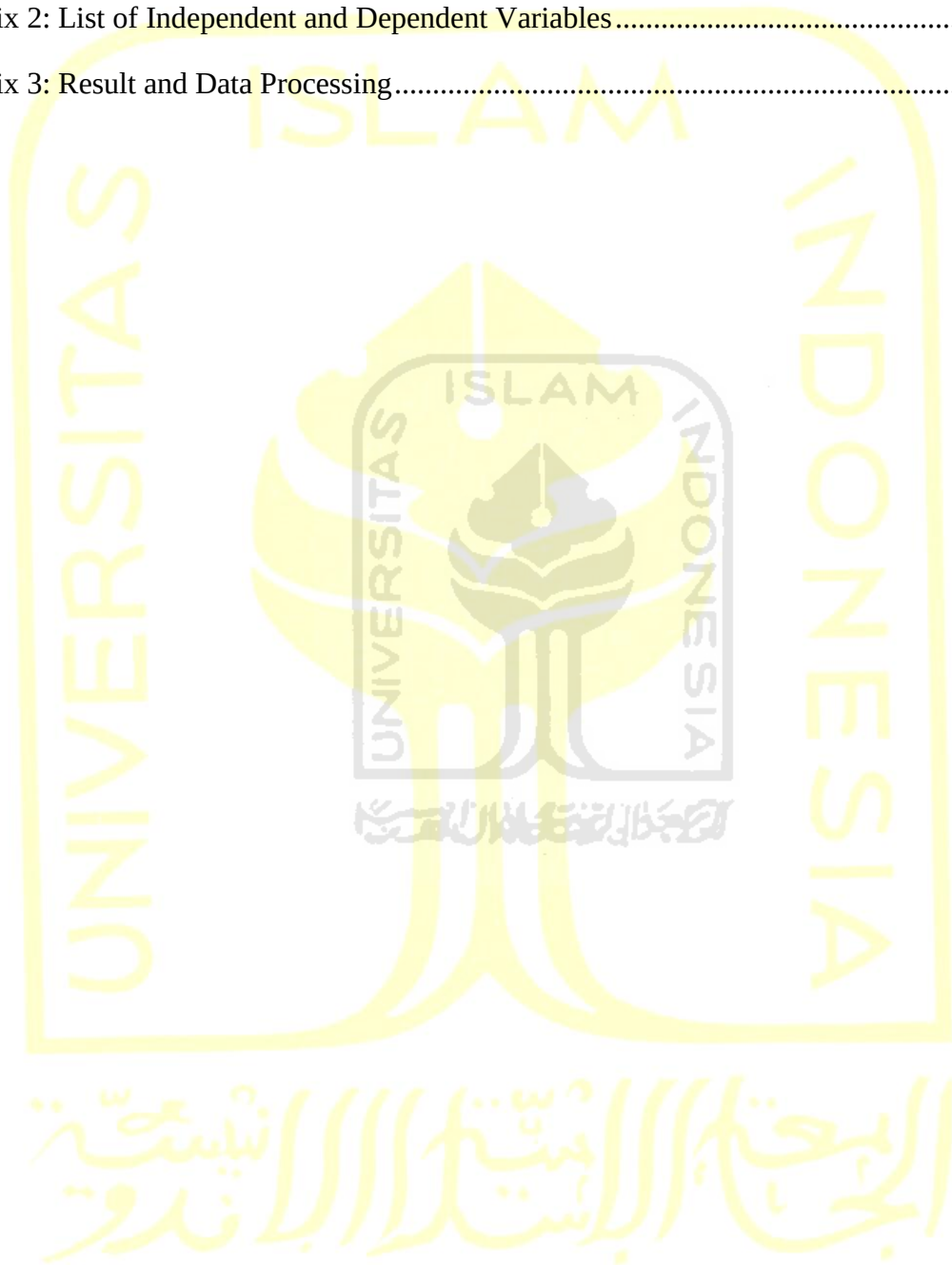
4.1 Research Sample	26
4.2 Descriptive Statistic Analysis	26
4.3 Classical Assumption Test	28
4.3.1 Normality Test	29
4.3.2 Autocorrelation Test	30
4.3.3 Multicollinearity Test.....	30
4.3.4 Heteroscedasticity Test	31
4.4 Multiple Regression Analysis.....	32
4.5 Coefficient of Determination.....	34
4.6 Hypothesis Testing.....	35
4.7 Discussion	37
4.7.1 Relationship between cash conversion cycle (CCC) toward firm's value	38
4.7.2 Relationship between receivable collection period toward firm's value	39
4.7.3 Relationship between inventory conversion period (ICP) toward firm's value	40
4.7.4 Relationship between payable payment period (PPP) toward firm's value	40
CHAPTER V: CONCLUSION AND RECOMMENDATION.....	42
5.1 Conclusions	42
5.2 Research Limitation	42
5.3 Recommendation	43
5.4 Research Implication.....	43
5.4.1 For Company	43
5.4.2 For Investors	43
REFERENCES	44
APPENDICES	46

LIST OF TABLES & FIGURES

Table 4.1: Sampling in Research Process	26
Table 4.2: Descriptive Statistic Test	27
Table 4.3: Normality Test	29
Table 4.4: Autocorrelation Test	30
Table 4.5: Multicollinearity Test	31
Table 4.6: Multiple Regression Analysis	33
Table 4.7: Coefficient of Determination	35
Table 4.8: Hypothesis Testing	36
Table 4.9: Hypothesis Testing Summary	37
Figure 4.1: Heteroscedasticity Test Result	32

LIST OF APPENDICES

Appendix 1: List of Indonesia Retail Companies 2014-2018.....	46
Appendix 2: List of Independent and Dependent Variables.....	47
Appendix 3: Result and Data Processing.....	50



ABSTRACT

In the midst of fierce business competition, having a competitive advantage is a key to achieve sustainability and to increase firm value. Competitive advantage can be achieved when the company is able to manage its resources well. Working capital is one of the important resources to be well-managed by the management. This research aims to analyze the relationship between working capital on firm value. Specifically, it investigates the effect of cash conversion period, inventory conversion period, receivable collection period, and payable payment period on firm value.

This research study uses a purposive sampling method. The research data are from nineteen retail companies that are listed on Bursa Efek Indonesia or Indonesian stock exchange during the period of 2014-2018. The findings reveal that cash conversion cycle and payable payment period have a positive effect on firm value, while, receivable collection period and inventory conversion period have a negative effect on firm value.

Keywords: Cash Conversion Cycle, Inventory Conversion Cycle, Receivable Collection Period, Payable Payment Period, Firm Value

ABSTRAK

Di tengah ketatnya persaingan bisnis, memiliki keunggulan kompetitif adalah kunci untuk keberlangsungan perusahaan dan untuk meningkatkan nilai suatu perusahaan. Keunggulan kompetitif dapat dicapai ketika perusahaan mampu mengelola sumber dayanya dengan baik. Modal bekerja adalah salah satu sumber daya yang penting yang harus dikelola dengan baik oleh manajemen perusahaan. Penelitian ini bertujuan untuk menganalisis hubungan antara modal bekerja dengan nilai suatu perusahaan. Secara khusus, untuk menguji cash conversion cycle, inventory conversion period, receivable collection period, payable payment period terhadap firm value.

Penelitian ini menggunakan metode purposive sampling, dengan data yang tersedia oleh 19 perusahaan retail yang terdaftar di bursa efek Indonesia periode 2014-2018. Hasil yang diperoleh dari penelitian ini adalah cash conversion cycle and payable payment period berpengaruh positif terhadap firm value. Sedangkan receivable collection period dan inventory conversion period berpengaruh negatif terhadap firm value.

Kata Kunci: Cash Conversion Cycle, Inventory Conversion Cycle, Receivable Collection Period, Payable Payment Period, Firm Value

1.1 Research Background

In economics, business competition will occur when two or more firms produce similar products or services. Therefore, having a competitive advantage is of great importance to win the competition. Working capital is one of the vital elements to achieve competitive advantage among competitors. If the working capital can be managed well, it will lead to better profitability. Thus, working capital is critical in the growing process of a business.

Having an excessive working capital indicates that there is inefficiency in that business operation (Hardiyanto & Isyuwardhana, 2015). Working capital is affected by other element such as receivable collecting period, cash conversion cycle, inventory conversion period, and payable payment period. Not all sales are made in cash, sometimes customers delay their payments until a certain period of time. The payments are extended it may cause an increase in receivable collection period (RCP) regardless of making great sales. Having numerous cash in inventory does mean a good thing because it indicates the company has difficulties of converting cash into products or services to be sold. Similarly, having a large number of receivable collection period (RCP) is not good either because the cash in the form of receivable cannot to be use to pay liabilities. Thus, it will make the value of working capital worsen.

Almost all firms need funds from the third party, such as investors which in turn called shareholders or other firms.. To acquire funds from investors, firms should be attractive to investors, so that they will be interested in investing their money.. One thing that the management can do is managing the working capital as it shows the company's short-term finance, this is line with the short-term goal of the firm which is to increase the profitability and in working capital

(Majanga, 2012). The investor can see or analyze whether the firm will make a good profit or not for the future one of the ways is by knowing the working capital value, so if the investor analysis thinks that the firm is beneficial they will be interested in investing in the firm and it will increase the firm's value.

However, such theory is not always in line with the fact of online transportation firms, Not so long ago in Indonesia there was a huge demonstration of conventional taxi driver that urged the government to close the online based taxi like uber taxi and grab bike. The demonstration caused a decreased in the number of customers on those online transportation platform. Normally, when the numbers of customer drop it will make the firm's value worse because the investors will think that this company will not make a sufficient benefit. When Uber taxi announced its financial condition, it showed that this firm lost about \$1 billion in the last period but the number of investors remained increasing. In fact, the amount of Dollar could reach \$1.2 billion for another tech-based firm. This phenomenon also happened on Twitter.Inc on 3rd October 2013, when Twitter announced its plan to gather \$1 billion fund by offering its first stock or IPO (initial public offering). However, the financial statements released showed that the company suffered from losses. Its financial condition demonstrated that the sales increased to \$254 million in 2013 in the first semester but the losses increased by 40% to \$69 million. The Twitter IPO was offered \$26 per share on the beginning of market share, then it rose greatly by 90% to \$50 per share. Furthermore, the share price began to slow down at the range of \$45 or still increased about \$74 (Perkasa, 2016). It obviously indicates that although the firm suffers from losses, but the number of investors and its market price rise, which means well-managed working capital will lead to higher profitability of a company.

There are numerous prior studies that have investigated the relationship between working capital and firm value. Most of the previous researchers stated there are several independent variable that can influence the firms value especially in working capital side, there are: Inventory conversion period, Cash conversion cycle, Current and quick ratio , Receivable collection period, Debt to equity ratio, Current ratio (current asset / current liabilities), Average collection period, Average payment period as their independent variable, while for dependent variable most of the studies return on asset, return on investment, return on equity, and firm value.

Previous studies showed that firm value is affected significantly by current ratio and quick ratio variable (Hantono, 2015; Majanga, 2012; Rodgers, Choy, & Guiral, 2013; Yogendrarajah, 2014), significantly affected by debt & debt to equity ratio (Ajibolade, 2013; Hantono, 2015; Hermuningsih, 2013), and the last variable that significantly affects firm value is inventory turnover (Alan, Gao, & Gaur, 2013; Panigrahi, 2013).

However, there are inconsistent variables that can affect firm value. (Edwin, 2013; Majanga, 2012; Mawutor, 2014; Yogendrarajah, 2014). Stated that cash conversion cycle (CCC) significantly affect firm value, but Tauringana & Afrifa (2013) revealed insignificance. For inventory conversion period show the inconsistency. Similarly, the variable of inventory conversion period (ICP) shows diverse results. Majanga (2012) and Panigrahi (2013) found that inventory conversion period (ICP) significantly affects firm value, but Edwin (2013) revealed insignificance. For receivable collection period (RCP), prior studies show that RCP has a significant correlation (Edwin, 2013; Tauringana & Afrifa, 2013), but other studies show insignificant correlation (Majanga, 2012; Yogendarajah, 2014). Inconsistency is also found on the variable of payable payment period (PPP). Majangan (2012), Mawutor (2014), Tauringana &

Afrifa (2013) show significant correlation, but Edwin (2013) & Yogendarajah (2014) show insignificance.

The inconsistent findings may be caused by the varied methods among variables, resulting in different correlations with the same variables among those studies. Indah, Sari, & Abundanti (2014) and Hardiyanto & Isyuwardhana (2015) suggested to use more variables, because they contended that the more variables used, such as investment decisions, financial decisions, firm size, dividend policy, gross and net profit margin the more firm value is affected.

From the explained background above the researcher is interested in investigating The Relationship Between Working Capital and Firm Value in Indonesia.

1.2 Problems Formulation

Can the firm increase its firm value when they able to well managed their resources?

1. Does cash conversion cycle have relation with firm value?
2. Does receivable collection period have relation with firm value?
3. Does inventory conversion period have relation with firm value?
4. Does payable conversion period have relation with firm value?

1.3 Research Objectives

1. To Investigate the effect of cash conversion cycle on firm value
2. To investigate the effect of receivable collection period on firm value
3. To investigate the effect of inventory conversion period on firm value
4. To investigate the effect of payable payment period on firm value

1.4 Research Contribution

This research provides benefits theoretically and practically. Theoretically it would make a significant contribution to the field of accounting, especially the study on working capital and firm value. Furthermore, it can be a reference for other researchers to conduct further research related to working capital. Practically, decision makers may take advantage of the research findings, so that better policy can be achieved in the organization. Potential investors may also take advantage of the findings to review firms for which they will invest their money.

CHAPTER II

Literature Review

2.1 Resource Based Theory

In resource-based theory, it is stated that companies have to make profits or in other words their resources are heterogeneous, not homogeneous (Astuti, 2005), and it originates from the availability of the company's resources that make it unique among other companies. Resource is everything that is owned and controlled by the company in the form of assets, employee abilities, knowledge of technology, organization capability, and the valuable information that is useful for implementing the company's strategy to increase the efficiency and effectiveness of the company.

In resource based theory, having unique resources can give the company more competitive advantages financially or non-financially. The competitive advantages can be gained by managing the company's resources and capabilities. To put it another way, sustainable and superior competitive advantages can be achieved by owning and controlling tangible and intangible assets. So, companies cannot expect to buy or take sustainable competitive advantage that is owned by another organization, because these advantages are scarce resources, difficult to imitate, and irreplaceable (Barney, 1991).

In order to maintain the company's viability in tough business competition, the company must have the right strategy that fits the company's characteristics. If the company has implemented the right strategy, it will lead to better valuation by investors. As a result, the company will survive and outperform the competition. Firm value is one important factor for

investors to assess a company as it reflects the performance or future benefits of the company. It means the higher the firm value, the better the ability of the firm performance and the better firm future profitability (Tauringana & Afrifa, 2013).

In relation to working a capital, a business without working capital will not have a fund that will be used to make a profits. Having an excessive working capital indicates that there is an inefficiency in that business operation. For example, not all payments are made in cash. Sometimes, customers delay the payments until a certain period of time and it is called receivable collection period (RCP). When the payments are extended, it may increase the number of RCP regardless of making great sales. By having a lot of sales while having a large number of account receivable period is not good either because the cash or fund that is still in receivable form cannot be used to pay the liabilities. Most of the previous researcher stated there are several independent variable that can influence the firms value especially in working capital side, there are: Inventory conversion period, Cash conversion cycle, Current and quick ratio Receivable collection period, Debt to equity ratio, Current ratio ($\text{current asset} / \text{current liabilities}$), Average collection period, Average payment period. And for dependent variables most of the research use return on asset, return on investment, return on equity, and firm value. There are previous studies that already conduct a research relating with the relation between working capital and firms value. In Indonesia there are some researchers who already did a related research, they are Hantono in 2015, Abundanti in 2014, Hermuningsih in 2013, and Edwin in 2013. Also there are several researcher across country who did the related research, they are Rodger, Choy and Guiral in 2016, Byson in 2015, Yogendrajah in 2014, Mawutor in 2014, and Dash in 2013.

2.2 Firm Value

In investor point of view the degree of success of a company is reflected from its firm value. The increase in firm value will be followed by The increased stock price as it indicates that the market or investors are convinced with the firm performance and its future benefits. . It is well known that stock price reflects a company's performance. It is determined by supply and demand of stock market, or in other word it is the investors' valuation toward the company (Harmono,2009). It indicates higher stock price means higher firm value. Higher firm value is one of the main goals of firm management as it shows higher prosperity of stakeholders. The firm's profitability is one factor that can influence firm value. In this case, investors believe that the firm performance is good and have a beneficial future is comes from the firm profitability (Hermuningsih, 2013). Good profitability is reflected from the variables of return on asset (ROA), return on investment (ROI), and return on equity (ROE). Then, profitability will be the one that affects firm value.

ROA is the ratio to know a company's ability to manage its assets in generating net profits after tax. This variable correlates with cash conversion cycle, average collection and payment period, and inventory turnover. In the meantime, ROI is the percentage of operating profits before tax to the total investment, this variable is influenced by inventory conversion period, cash conversion cycle, current and quick ratio, and receivable collection period. Return on equity is a measure of profitability that calculates profits a company can generate with each shareholder's equity. Variables such as equity, current liability, current asset and debt are considered as the variable that can influence return on equity. After that, there is firm value which is defined as a value that can measure the importance level of a company in the customer and investor perspective, this variable is affected by profitability that will be reflected by return on asset, return on

investment, and return on equity. The researchers who use this variable are (Rodgers et al., 2013), (Hermuningsih, 2013), and (Indah et al., 2014). From the prior studies, it can be concluded that variables like current ratio and quick ratio, debt and debt to equity, and inventory turnover as the significant variables that can influence the firm value. Based on these previous study the inconsistent results from one researcher with other researcher, the methods that they use may vary, resulting in the different correlation with the same variable. Indah, Sari, & Abundanti, (2014) contended that more variables may influence firm value, such as investment decision, financial decision, firm size, and dividend policy. Therefore, this research study uses other variables. Gross and net profit margin are the added variables as suggested by Hardiyanto & Isywardhana (2015).

Other variables that influence firm value are debt and debt to equity ratio. Debt is something which is due from one person to another whether money, goods or service that which person/organization is bound to pay to another, meanwhile debt to equity ratio is the measurement of the company's ability to cover partly or all of its debts both long term and short term funds derived from the total capital compared to the large amount of the company's debt. As the firm's working capital composition synchronously interacts with the debt structure, corporate profitability is positively affected. For firms to optimize profitability and to maintain good liquidity position, corporate financing decision should be considered side by side with their working capital composition (Ajibolade, 2013).

2.3 Working Capital Management

Hill (2013) categorized definition of working capital into two; external and internal user's perspectives. From the perspective of external users, working capital is the firm's current assets minus current liabilities on the date when a balance sheet is drawn up. Respectively current assets

and current liabilities are assumed to represent those assets that are soon to be converted into cash and those liabilities that are soon to be repaid within the next financial period usually a year. From internal users perspective, working capital represents a firm's net investment in current assets required to support its day to day activities. Working capital arises because of the disparities between the cash inflows and cash outflows created by the supply and demand for the physical input and output of the firm. According to Preve (2010) working capital is a firm short-term investment like cash, receivable and inventory also called as gross working capital while net working capital is current asset decrease by current liabilities. Working capital management can be defined as all aspects that cover the management of current asset and current liabilities. Working capital management, can be divided into four managements, there are cash management, account receivable management, inventory management, and account payable management. From the explanation above, the researcher can conclude that working capital management is focuses on cash conversion cycle for cash management, receivable collection period for account receivable management, inventory conversion period for inventory management, and payable payment period for account payable management. In resource based theory that was invented by Penrose in 1959, it is stated that the company will get its beneficial advantage when the company is able to manage its resource including assets and non-assets.

Different measures of inventory productivity lead to the same qualitative results. Hence, the choice of the inventory productivity metric is immaterial as long as portfolios are formed appropriately by ranking firms within each segment (Alan, Gao, & Gaur, 2013). if inventory turnover comparatively decreases over a period of time, it enables higher turnover in sales and increase in profit, Hence the expected relationship should be negative (Panigrahi, 2013). These researchers use inventory turnover as their variable in their research. Inventory turnover itself

means the measurement of the average period during which stocks of goods are held before being sold or used in the operations of the firm. In an attempt to remain highly profitable and expand the scope of operations, a lot of entities have disregarded the need to finance working capital requirements to support the operations. This, unfortunately, has led to overtrading with serious adverse effects on the entity such as accumulation of debts which eventually lead to involuntary liquidation. Looking at working capital management in an entity, managers have to consider establishing ways to minimise as much as possible the length of time it takes for debtors to pay and the length of time it takes they hold inventory (Majanga, 2015).

2.4 Previous Research Table

2.5 Hypothesis Development

2.5.1 Cash Conversion Cycle

Generally most of the previous studies use cash conversion period as their variable. Although they use another variable but this variable is frequently stated in their research. Cash conversion period is the term used to indicate how long a company needs to recover its asset especially cash after initially invested in production. Cash conversion cycle tends to be reasonable estimation of the cash turnover duration or the available fund to be tied in stock and receivable, so in order to make the working capital work efficiently the management should determine its cash conversion cycle (Majanga, 2012). A company may earn profits when the management decides to handle cash conversion cycle and other different component at balance amount (Mawutor, 2014).

<u>No</u>	<u>Authors</u>	<u>Purposes</u>	<u>Sample</u>	<u>xVariables</u>	<u>Conclusion</u>
1	Byson Beracah Majanga,	to establish the relationship between a company's liquidity, measured by the length of the cash conversion cycle, and its profitability, measured by return on capital.	Twelve Malawian manufacturing firms from 2007 to 2015 using quantitative method	Independent = receivable collection period, inventory conversion period, payables deferral period, cash conversion cycle, Dependent = ROI and market value	to achieve profitability, the liquidity position of the business needs to be improved, especially the cycle. It is therefore recommended that entities must closely watch over the duration of their return on investment if they are to be sustainably profitable.
2	Waymond Rodgers, Hiu Lam Choy, and Andre 's Guiral	To examine the impact of CSR on both accounting-based (financial health) and market-based, and performance financial measure	top corporate citizens,, using qualitative method	Independent = sales, quick ratio, debt/asset, debt/equity. Dependent = financial health, stock price	suggest that a firm's broad societal strategies can lead to a material improvement in its accounting-based performance and enhancement in its market value.
3	Yasin Alan, George P. Gao, and Vishal Gaur.	To robust the different measures of productivity, distinct from the well-known firm characteristics known to generate abnormal returns, and not driven by a particular sub-sample period.	publicly listed U.S. retailers during the period from 1985 to 2010	Independent = total sales revenue, COGS, gross fixed assets, total asset, ending inventory, LIFO Dependent = market value, stock price	Different measures of inventory productivity lead to the same qualitative results. Hence, the choice of the inventory productivity metric is immaterial as long as portfolios are formed appropriately by ranking firms within each segment
4	Mihir Dash	To examine the impact of asset-liability management on the profitability of the banks. The scope of the study covers both public sector and private sector banks in India.	A sample of thirty-five banks. The study period is the financial year 2005-06.	Independent = maturity mismatch. Dependent = firm's value	Most of the banks are exposed to short term risk, with negative maturity mismatches in the 1-90 days bracket, and more so for public sector banks. However, the regression results indicate that there is an incentive to maintain negative maturity mismatch in the short-term, as this improves profitability.

					Thus, there is a risk-return trade-off for short-term maturity mismatch.
5	Dr. John Kwaku Mensah Mawutor	To establish a statistical relationship between profitability measured by the return on assets and the elements of working capital such as the cash conversion cycle, average collection period, average payment period and inventory turnover days.	Four (4) companies listed on the Ghana Stock Exchange (GSE) for the 2006 to 2010 financial years.	Independent = Cash Conversion Cycle, average collection period, average payment period, inventory turnover. Dependent = ROA	Less profitable firms wait longer to pay their bills taking advantage of credit period granted by their suppliers. Therefore managers can create profits for their companies by handling correctly the cash conversion cycle and keeping each different component at equilibrium.
6	DR. Ashok Kumar Panigrahi	Examine the relationship between inventory conversion period and firms' profitability.	five top Indian cement companies over a period of ten years from 2001-2010. Quantitative method	Independent = inventory conversion period Dependent = gross operating profit	Inventory conversion period has an inverse relationship with firms' profitability. The relationship is significant because for every one day decrease of ICP the increase in profit was 0.12 percent.

Cash conversion cycle tend to be not so important when compared with account payable and account receivable because it showed negatively and insignificantly correlation with firm profitability (Tauringana & Afrifa, 2013). However, other research findings revealed that cash conversion cycle (CCC) has a negatively and significantly correlation with firm value. This means the shorter the CCC, the higher the firm value. Hypothesis 1 is then proposed as follows:

7	Solabomi O. Ajibolade and Oboh Collins Sankay	Provide empirical evidence on the interaction between working capital management and corporate debt structure, and the effect of this on corporate profitability.	35 manufacturing companies listed on the Nigerian stock exchange for a two-year period (2011 - 2012), quantitative method	Independent = working capital ratio, debt ratio, firm size Dependent = market value, firms value	The firm's working capital composition interacts negatively with their debt structure choice. Then, on an individual basis, the firm's working capital composition was not found to significantly relate with its value
8	Venancio Taurigana and Godfred Adjapong Afrifa	Reports the results of an investigation of the relative importance of working capital management, measured by the cash conversion cycle (CCC), and its components (inventory, accounts receivable and accounts payable) to the profitability of SMEs.	133 Alternative Investment Market (AIM) listed SMEs. The panel data analysis utilises financial data for the period 2005 to 2009.	Independent = AR, AP, Inventory, cash conversion cycle. Dependent = firms profitability	In terms of relative importance, AR management is most important, followed by AP, INV and CCC. The management AP and AR is important for SMEs profitability. However, AP management is relatively more important than AR management. Inventory and CCC management is not important for SMEs profitability.
9	Rathirane Yogendrarajah	To investigate the working capital management and its impact on firms' financial performance. The efficiency of working capital management was investigated through the cash conversion cycle.	9 trading firms have been selected from the companies listed by the Colombo stock exchange period of 2004 to 2009	Independent = average collection period, average payment, inventory turnover, CCC. Dependent = financial performance (ROA)	Working capital management has strong impact on financial performance. If these firms properly manage their cash, accounts receivables, accounts payables, and inventories in a proper way, this will ultimately increase profitability of these companies.

H1 = Cash conversion cycle has negative relation with firm's value

2.5.2 Receivable Collection Period

10	Edwin	Determine the effect of working capital management towards profitability Industry Sector Consumer Goods registered in Indonesia Stock Exchange period 2008-2012. Optimal management of working capital can increase the profitability of the company.	30 consumer's good companies that listed in BEI	Independent = cash conversion cycle, Receivable Billing Period, inventory conversion period, period debt payment. Dependent = firms value, market value, ROA	Companies can do Management Working capital efficiently if it can manage Accounts Receivable Billing Period well. Companies need to take a critical decision to improve the efficiency of working capital management. When a company can well managed then, the result is a significant increase in profits.
11	Sri hermuningsih	To examines the influence of profitability, growth opportunity, and capital structure on firm value.	150 listed companies on the Indonesia Stock Exchange during 2006 to 2010.	Independent = debt, market value, equity book value, income, investation. Dependent = ROA, ROE, firms value, growth opportunity	profitability, growth opportunity and capital structure, have a positive and significantly effect on firm value.
12	Hantono	To prove and analyze the influence of Current Ratio and Debt to Equity Ratio toward Return on Equity in the manufacturing subsector of metal and alike listed in Indonesia Stock Exchange in 2009-2013.	10 companies listed in BEI	Independent = current asset, current liability, debt, equity. Dependent = ROE, firms value	Current ratio and debt to equity ratio significantly influence return on equity and the value in manufacturing subsector of metal and similar are listed on the Indonesia Stock Exchange 2009-2013 period.
13	Pt Indah Purnama Sari, Nyoman Abundanti	to determine the effect of company's growth, profitability and leverage the value of companies in the sectors of food and beverages companies listed on stock exchanges in Indonesia.	33 samples were selected using purposive sampling technique.	Independent = growth, leverage Dependent = ROA, firms value	The company's growth affect positively significantly on profitability in the food and beverages sector companies. Growth positively & significantly affect the firms value. And leverage negatively & significantly

					affect profitability and firms value
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The management can increase firm value by reducing the number of days accounts receivable collection period, increasing the number of days accounts payable and inventories to a reasonable minimum (Yogendrarajah, 2014). Account receivable period is the average number of days it takes for debtors to pay debts to the company. Account receivable (AR) and account payable (AP) are the two most important components of working capital that should be managed to be improved. Based on two different analyses, the rank of the two terms is not the same. In the first analysis, AR is more important than AP and for the second analysis the result is vice versa. One reason of this could be the perception by SME's management that the available funds can be used for paying expenses in business operations (Taurigana & Afrifa, 2013), which mean when the company able to collect their receivable from their customers faster they can use the money to pay their business operations expenses and can increase the firm value. Hypothesis 2 is then proposed as follows:

H2 = Receivable collection period has negative relation with firm's value

2.5.3 Inventory Conversion Period

Another factor that can influence firm value is inventory conversion period. Inventory conversion period (ICP) is the length of time it takes for a company to convert its inventory. Raw material to be products / services for generating revenue. According to Edwin (2013), inventory conversion period does not have an influence on firm profitability. It means the slower or the faster

the duration of inventory conversion period, it will not significantly affect firm profitability. This finding contrasts with those of Majanga (2012) and Panigrahi (2013) which revealed inventory conversion period has a negative effect on firm value. Hypothesis 3 is the proposed as follows:

H3 = Inventory conversion period has negative relation with firm's value

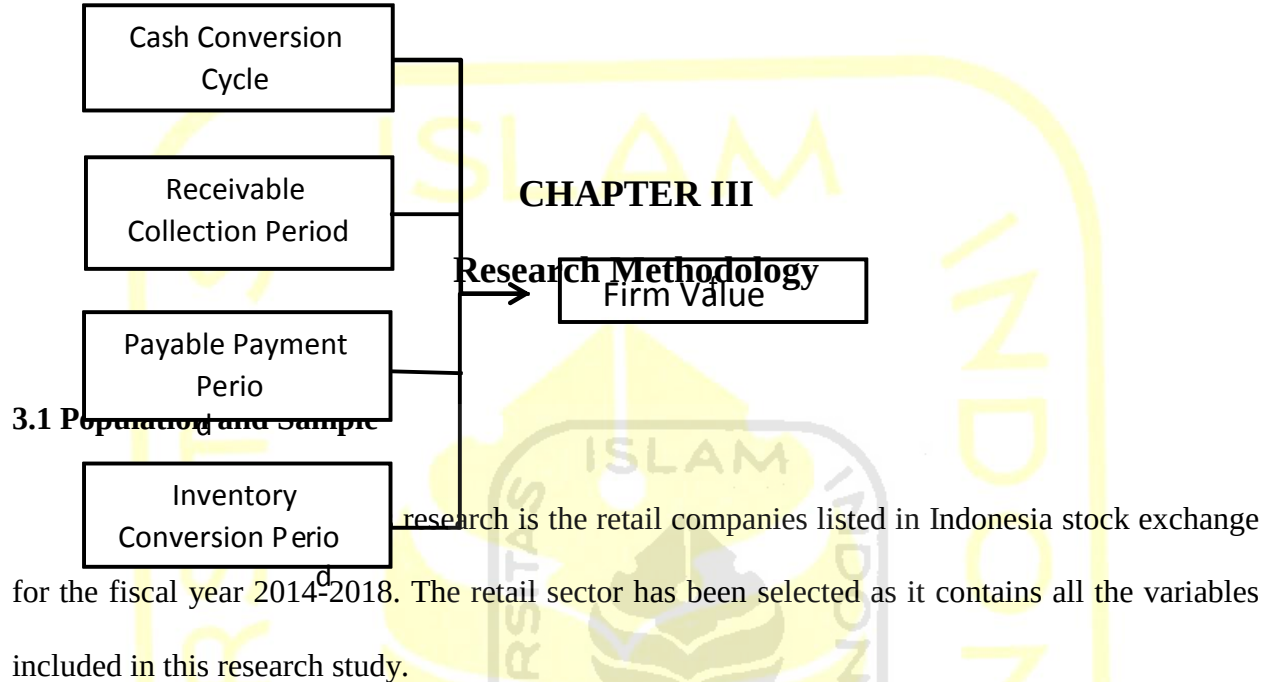
2.5.4 Payable Payment Period

Account payable payment period is the number of days a firm takes to pay off credit purchases. It measures the average period of credit taken from suppliers of goods and services. The increase in this measure could indicate that suppliers have allowed a longer period to pay. Yogendarajah (2014) stated that the manager can increase the value of its firm in the shareholders perspective by decreasing the number of days on receivable collection period, and increasing the number of days on payable payment period. It is in line with Taurigana & Afrifa (2013) who revealed that account payable is more important than account receivable. In (Majangan, 2012) and (Mawutor, 2014) research stated that payable payment period has positively significant correlation with firm profitability.

Profitability, growth opportunity and capital structure positively affect firm value. It means that higher profitability will lead to higher growth opportunity and will have a larger amount of debt in company capital structure which in turn lead to an increase in value of that firm. Thus, the management decision to increase the debt amount is a good signal for investors because debts are useful to control excessive use of cash by the management. Hypothesis 4 is then proposed as follows:

H4 = Payable conversion period has positive relation with firm's value

2.6 Conceptual Framework



The sample of this research is chosen by using the purposive sampling method based on the following criteria:

1. The company is in retail sector industry and still listed in Indonesia stock exchange for the year 2014 until 2018
2. The company still reported its financial statement during 2014 until 2018
3. The company still able to generate its revenue

3.2 Sources and Data Collection Method

This research study makes use of secondary data- the companies financial statement during 2014-2018, accessed from the company's official websites. For another source, the research data

were accessed from www.idx.co.id. So, the data collection method used in this research is documentation.

3.3 Research Variable

3.3.1 Independent Variable

Independent variable is the variable that may influence the dependent variable. In this research, the independent variables are most of the elements of working capital such as cash conversion cycle (CCC), receivable collection period (RCP), payable payment period (PPP), and inventory conversion period (ICP).

3.3.1.1 Cash Conversion Cycle (CCC)

Cash conversion period is the term to indicate how long the company needs to recover its assets especially cash after it is initially invested in production. The measurement is as follows:

$$\text{Cash conversion cycle} = \text{DIO} + \text{DSO} - \text{DPO}$$

DIO = Days inventory outstanding

DSO = Days sales outstanding

DPO = Days payable outstanding

3.3.1.2 Receivable Collection Period (RCP)

Account receivable period is how long it takes for a company to collect debts from its customers.

$$RCP = (\text{Average Account Receivable} / \text{net sales}) \times 365$$

3.3.1.3 Inventory Conversion Period (ICP)

Inventory Conversion Period (ICP) is the length of time it takes for a company to convert its inventory/raw materials to be products/services for generating revenue.

$$ICP = (\text{Inventory} / \text{COGS}) / 365$$

COGS = Cost of Goods Sold

3.3.1.4 Payable Payment Period (PPP)

Number of days a firm takes to pay off credit purchases. It measures the average period of credit taken from suppliers of goods and service.

$$PPP = \text{total days} / (\text{COGS} / \text{average payable})$$

COGS = Cost of Goods Sold

3.3.2 Dependent Variable

3.3.2.1 Firm Value

Firm value is one of great importance as it will result in wealth for stakeholders. One of the ways to enhance firm value is through the variable of stock price, as it reflects company performance. As a result, if the stock price is higher the investors valuation is higher too (Harmono, 2009), so based on that explanation the researcher will use the dependent variable which is the firm's value will be taken by the company's stock price. Stock is an ownership proof of company's capital. Stock can be in paper form that clearly stated the amount, company's name and followed with right and obligation to each holder and it is also ready to sale when needed (Fahmi, 2015) . Stock prices determine shareholder wealth. Maximization of Shareholder wealth translates into maximizing stock price. The

price of a stock at a certain time will depend on the expected future cash flows by an "average" investor if the investor buys shares.

3.4 Data Analysis Method

3.4.1 Descriptive Statistics

Descriptive statistics is a statistical method that simply aims to process, analyze and present data without purpose of prediction conditions in general. Descriptive statistics will be used to find out and describe the average (mean), standard deviation, variant, maximum, minimum, range, and skewness. The ones used in this research are maximum value, minimum value, mean, and standard deviation. Furthermore, SPSS will used to analyze the data.

3.4.2 Classical Assumption Test

Classical assumption test is used to test if there is an error in the regression linear ordinary least square model. There are some requirements that must be fulfilled in order to make the model valid. This requirement is called BLUE or Best Linear Unbiased Estimation. As this study makes use of 1 dependent variable and several independent variables, multiple regression method will be used. In order to meet the BLUE or the

requirement, the regression method must pass the classical assumption that consist of multicollinearity, autocorrelation, and heteroscedasticity test.

3.3.2.1 Multicollinearity

Multicollinearity occurs when independent variables in the regression model has a high intercorrelation among other independent variables.

3.3.2.2 Heteroscedasticity

One of the problems of violating assumptions that often occur is heteroscedasticity.

One of the linear regression assumptions that must be fulfilled is the homogeneity of the variance of the error (homoscedasticity). Homoscedasticity means that the variance of an error is constant (also called identical). The opposite of homoscedasticity is heteroscedasticity, that is, if the error variance condition is not identical.

3.3.2.3 Autocorrelation

Durbin Watson used to detect autocorrelation. The criteria to detect autocorrelation is if the value (n) is between -2 and 2 ($-2 < n < 2$) there will be no autocorrelation (Utami & Sujarweni, 2019)

3.3.2.4 Regression error normality test

Normality test is used to test whether in the regression model, independent and dependent variables have normal distribution in the regression model. This research study makes use of Kolmogorov-Smirnov (K-S), with the α 0.05. If the value is significant $< \alpha$, it means that the residual data are not normally distributed. and if significant value $\geq \alpha$ it means residual data being distributed normally, a good regression model have normal distribution of data.

3.4.3 Multi Linear Regression

The analysis method used to test the hypothesis is regression model. Regression analysis is used to measure the influence of Cash Conversion Cycle, Receivable Collecting Period, Payable Payment Period, and Inventory Conversion Period toward the company's stock price. This analysis is conducted by examining the influence of independent variable on the dependent variable.

The regression formula of this research is formulated as follows:

$$Y = A + B_1(CCC) + B_2(RCP) + B_3(PPP) + B_4(ICP) + E$$

Where:

Y	= Firm's Value
A	= Konstanta
B ₁ , B ₂ , B ₃ , B ₄	= coefficient
CCC	= Cash Conversion Cycle
RCP	= Receivable collection period
PPP	= Payable payment period
ICP	= Inventory conversion period
E	= error terms

3.4.4 Coefficient of determination

Coefficient of determination (R²) is used to test the ability of the model in the interpretation of independent and dependent variables. The value of R² between 0 and 1,

smaller number of R2 indicates that the independent variable has limited ability to explain and interpret the dependent variable.

3.4.5 Hypothesis testing

Hypothesis testing needed to check whether independent variable in the research have an effect on the dependent variable, this test can be checked by using t-test. The result can be checked from the significant value, the value used in this research is 0.05, and the formula to test the hypothesis in this research are :

1. if the significant value ≤ 0.05 , then independent variable X individually has a significant relation with the dependent variable Y.
2. if the significant value ≥ 0.05 the independent variable X does not have significant relation with the dependent variable Y.

CHAPTER IV

DATA ANALYSIS AND DISCUSSION

4.1 Research Sample

The population in this research are the companies in retail sector that are listed on Indonesia Stock Exchange or BEI (Bursa Efek Indonesia) and can be accessed on website idx.co.id during the period of 2014 -2018. There are 27 companies listed on BEI in 2014. From this process the number of the companies used in this research is reduced to 19 companies as explained below:

Table 4.1

No	Criteria	Total
1	Retail companies registered in BEI during period of 2014-2018	27
2	The companies reported its financial statements during 2014-2018	24

3	The companies able to generate revenue during the period of 2014-2018	19
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Source : Main data processed, 2019

Based on the 4.1 table above, 19 companies are used in this research. Then the data obtained related to the independent and dependent variables will be processed using SPSS software.

4.2 Descriptive Statistic Analysis

Descriptive statistic analysis can be used to give the preview about the whole variables, such as : mean, standard deviation, maximum and minimum value. The analysis result can be observed on the 4.2 table below :

Table 4.2
Result of Descriptive Statistic Analysis

		Statistics				
		CCC	RCP	ICP	PPP	PRICE
N	Valid	95	95	95	95	95
	Missing	0	0	0	0	0
Mean		21.6211	16.5158	80.2947	75.2632	1572.0526
Std. Deviation		70.30786	22.31346	48.03476	46.03796	2946.36939
Minimum		-170.00	1.00	10.00	5.00	152.00
Maximum		205.00	104.00	220.00	182.00	17600.00

Source: Main Data Processed, 2019

Based on the table 4.2 above, the analysis can be explained as follows :

1. The minimum value on CCC (Cash Conversion Cycle) is -170 from Global Teleshop Tbk (GLOB) in 2018 and the maximum value is 205 from Ace Hardware Indonesia Tbk (ACES) in 2016. Standard Deviation is 70.30786 and the mean is 21.6211. Higher value of standard deviation compared to mean indicates that the data used in CCC variable is

largely dispersed. As the standard deviation is higher than the mean, so the deviation of data in the CCC can be said to be not good, this shows that the CCC data in this research have several outliers.

2. The minimum and maximum value for RCP (Receivable Collection Period) is 1 and 104 from Matahari Putra Prima Tbk (MPPA) in 2014 and Kokoh Inti Arebama (KOIN) in 2018 respectively. Standard deviation is 22.31346 and the mean is 16.5158. Higher value of standard deviation compared to mean indicates that the data that is used in RCP variable is largely dispersed. As the standard deviation is higher than the mean, so the deviation of data in the RCP can be said to be not good, this shows that the RCP data in this research have several outliers.
3. ICP (Inventory Conversion Period) has minimum value of 10 from Global Teleshop Tbk (GLOB) in 2018 and has maximum of 220 from Ace Hardware Indonesia Tbk (ACES) in 2016. The mean value is 80.2947 while the standard deviation value is 48.03476. Lower value of standard deviation compared to mean value can be implied that the mean value can be used as a representation of the whole data.
4. PPP (Payable Payment Period) has minimum value of 5 from PT. Tiphone Mobile Indonesia Tbk (TELE) in 2018 and a maximum value of 182 from Global Teleshop Tbk (GLOB) in 2018. PPP has a mean value of 75.2632 and a standard deviation of 46.03796. Lower value of standard deviation compared to mean value can be implied that the mean value can be used as a representation of the whole data.
5. PRICE per share as the dependent variable has a minimum value of 152 from Matahari Putra Prima Tbk (MPPA) in 2018 and has the maximum value of 17600 from Matahari Department Store Tbk (LPPF) in 2015. The mean value is 1572.0526 and the standard

deviation value is 2946.36939. Higher value of standard deviation compared to mean indicates that the data used in PRICE variable is largely dispersed. As the standard deviation is higher than the mean, so the deviation of data in the PRICE variable can be said to be not good, this shows that the PRICE data in this research have several outliers.

4.3 Classical Assumption Test

Classic assumption test is a test used to test the feasibility of a regression model. The classic assumption tests used in this study are normality test, autocorrelation test, multicollinearity test, heteroscedasticity test.

4.3.1 Normality Test

Normality test aims to test whether in the dependent and independent variables have a normal data distribution in the regression model. In this study, the normality test was carried out using the Kolmogorov-Smirnov Z test (1-Sample K-S). The basis of decision making in the Kolmogorov-Smirnov Z analysis (1-Sample K-S) is if the Asymp value. Sig. (2-tailed) is greater than 0.05, then the residual data is normally distributed. The result of the normality test will be shown in table 4.3 below :

Table 4.3

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		72
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	10.05265688
Most Extreme Differences	Absolute	.094
	Positive	.094
	Negative	-.064

Test Statistic	.094
Asymp. Sig. (2-tailed)	.191 ^c
a. Test distribution is Normal.	
b. Calculated from data.	
c. Lilliefors Significance Correction.	

Source: Main Data Processed, 2019

Based on the table 4.3 above, the value of Asymp. Sig. (2-tailed) is 0.191. These results can be concluded that the residual data in this regression model are normally distributed, because of the Asymp value. Sig. (2-tailed) above 0.05 ($0.191 > 0.05$) it means regression model is suitable for further analysis.

4.3.2 Autocorrelation Test

Autocorrelation test functions is to test whether in the linear regression model there is a correlation between the error period t and the error in the previous period $t-1$. The regression model that is free of autocorrelation is a good regression model. This study makes use of the Durbin-Watson test (DW test). The table below is the result of the autocorrelation test.

Table 4.4
Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.467 ^a	.218	.192	2648.66946	.491
a. Predictors: (Constant), CCC, RCP, ICP, PPP					
b. Dependent Variable: PRICE					

Source: Main Data Processed, 2019

According to the table 4.4 above the Durbin-Watson Value is 0.491, which means there is no autocorrelation because 0.491 is between -2 and 2 ($-2 < 0.491 < 2$).

4.3.3 Multicollinearity Test

Multicollinearity test is needed to determine whether there are independent variables that have similarities between the independent variables in a certain model. The similarity between independent variables will result in a very strong correlation. In addition, this test is also to avoid bias in the decision making process regarding the effect on the partial test of each independent variable on the dependent variable. if the VIF is generated between 1-10, then there is no multicollienarity (Utami & Sujarweni, 2019). Below is the result of multicollinearity test in table 4.5

Table 4.5
Multicollinearity Test

Coefficients^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-892.279	801.388		-1.113	.268		
PPP	37.725	9.040	.589	4.173	.000	.431	2.321
CCC	11.477	5.913	.274	1.941	.055	.432	2.316
RCP	-37.727	12.710	-.286	-2.968	.004	.928	1.078
a. Dependent Variable: PRICE							

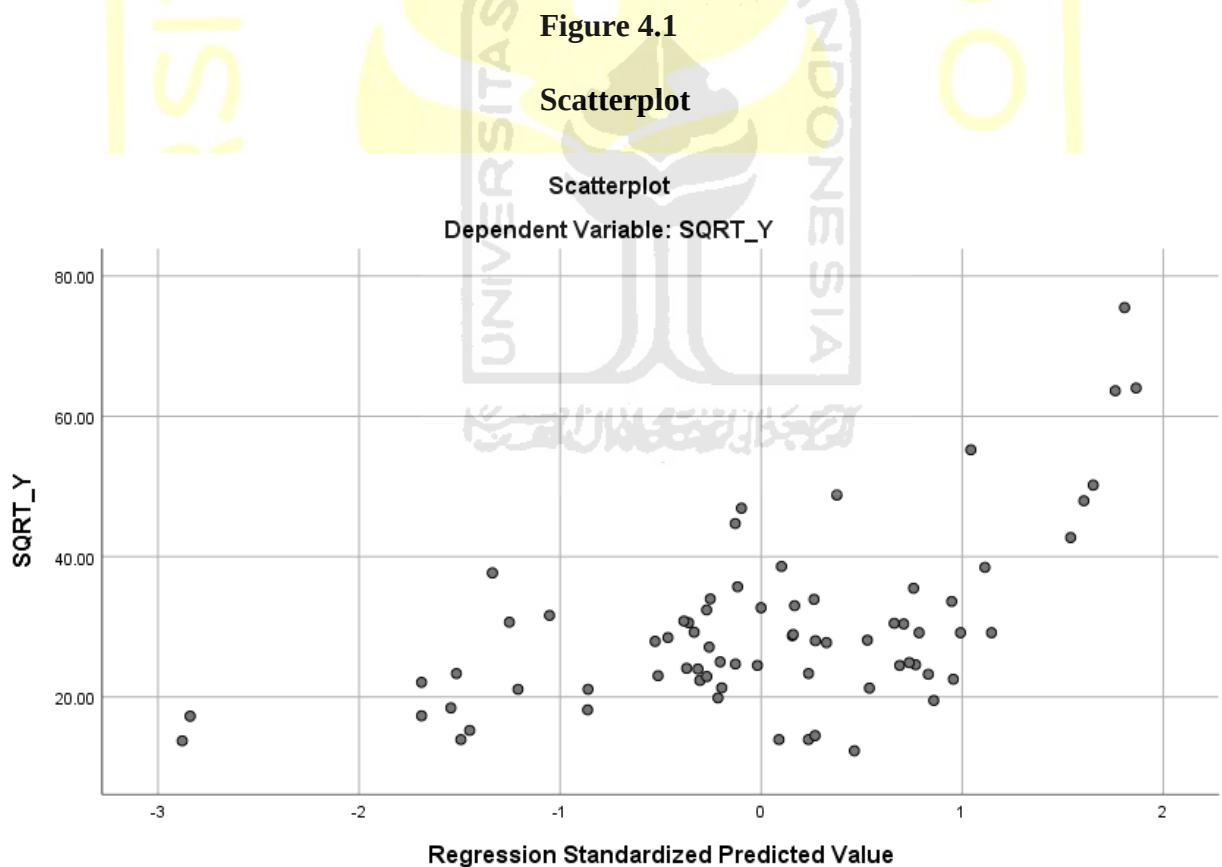
Table 4.5 shows that the VIF of all variables is between 1-10, so it means that there is no multicollinearity between independent variables in this research.

4.3.4 Heteroscedasticity Test

Heteroscedasticity examines the difference in residual variance of one observation period to another observation period. how to predict the presence or absence of heteroscedasticity in a model can use scatterplot. The criteria of regression that are free from heteroscedasticity are:

- a. The dots are spread above and below or around 0
- b. The dots are not accumulated above or below only
- c. The dots speediness must not make a wave pattern
- d. There is no pattern in dots distribution

Below is figure 4.1 that shows the scatterplot:



Based on figure 4.1 above, all the criteria to categorize the regression that is free from heteroscedasticity are fulfilled. So this regression model is suitable for further analysis.

4.4 Multiple Regression Analysis

Multiple regression analysis aims to test the level of effect of the independent variable toward dependent variable (Firm Value). The dependent variable or the firm value will be computed by observing the company's working capital. Working capital consists of 4 variables – CCC, RCP, ICP, and PPP which are; cash conversion cycle (CCC) it shows the day needed by the company to convert the cash owned to the inventory that is ready to be sold or from cash owned to cash again. The next variable is receivable collection period (RCP), this variable shows the days needed by a company to collect its receivable from customer. Then inventory conversion period (ICP), it shows how long a company can sell products since the raw materials are received. And the last variable is payable payment period (PPP) it is a number of days a company needed to pay its debt. Below is table 4.6 showing the result of multiple regression analysis:

Table 4.6
Multiple Regression Analysis

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	36.578	5.318		6.879

	CCC	6.815	1.483	1.927	4.594
	RCP	-5.653	1.106	-1.161	-5.110
	ICP	-8.206	1.972	-1.801	-4.162
	PPP	6.347	1.601	1.298	3.964
a. Dependent Variable: PRICE					

Based

on table 4.6 above , the formula for regresion model is:

$$\text{PRICE} = 36.578 + 6.815\text{CCC} - 5.653\text{RCP} - 8.206\text{ICP} + 6.347\text{PPP} + e$$

Based on the multiple regression formula above, it can be expalained that:

1. The value of constanta is 36.578, which means if all variables have 0 value, then the value of PRICE will be 36.578.
2. The value of regression coefficient of cash conversion cycle (CCC) is 6.815 it indicates that if the value of cash conversion cycle (CCC) rises by one percent the price value will also increase by 6.815.
3. The value of regression coefficient of receivable collection period (RCP) is -5.653 which means if the value of receivable collection period (RCP) increases by one percent it makes the price value decrease by -5.653
4. The value of regression coefficient of inventory conversion period (ICP) is -8.206. This mean if the value of inventory conversion period (ICP) rises by one percent, it will decrease the price value by -8.206
5. The value of regression coefficient of payable payment period (PPP) is 6.347. It means if the value of PPP increase by 1 percent, the price value increases by 6.347

4.5 Coefficient of Determination (R^2)

Coefficient of Determination (R^2) analysis is used to determine the level of influence of the independent variables simultaneously or at the same time toward the dependent variable. The smaller the value of the coefficient of determination (R^2), the weaker the level of influence of independent variable toward dependent variable. and if the coefficient of determination (R^2) value is close to 1, it means the level of influence of independent variable toward dependent variable is better. The result of coefficient determination (R^2) is explained in table 4.7 below:

Table 4.7
Coefficient of Determination

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.573 ^a	.328	.288	10.34839
a. Predictors: (Constant), CCC, RCP, ICP, PPP				
b. Dependent Variable: PRICE				

Based on table 4.7 above, it shows the value of R square is 0.328 or 32.8%, this means the independent variables that are cash conversion cycle (CCC), receivable collection period (RCP), inventory conversion period (ICP), and payable payment period (PPP) can affect the dependent variable (PRICE) by 32.8%, furthermore, the residual value by 67.2% (100-32.8) can be explained by other variable excluded in this research.

4.6 Hypothesis Testing

Hypothesis testing aims to check whether the independent variable in the research has an effect on the dependent variable, this test can be done by using t-test. The result can be checked from the significant value, the value we use in this research is 0.05, and the formula to test the hypothesis in this research are :

1. if the significant value ≤ 0.05 , then independent variable X individually has a significant relation with the dependent variable Y.
2. if the significant value ≥ 0.05 the independent variable X does not have significant relation with the dependent variable Y.

The result of hypothesis testing can be observed in table 4.8 below:

Table 4.8
Hypothesis Testing

Coefficients ^a				
Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	36.578	5.318	.270
	CCC	6.815	1.483	.040
	RCP	-5.653	1.106	.056
	ICP	-8.206	1.972	.000
	PPP	6.347	1.601	.776
a. Dependent Variable: PRICE				

Source: Main Data Processed, 2019

Based on the table 4.8, the result from the hypothesis testing can be explained as follows :

1. First hypothesis testing

The value of coefficient determination of cash conversion cycle (CCC) is 6.815 with a significance value of 0.040. With a significance level of $\alpha = 5\%$, then the coefficient of the regression is significant. It can be concluded that cash conversion cycle (CCC) has a positive significant relationship with firm value (PRICE). As the result, the first hypothesis (H1) is **rejected**.

2. Second hypothesis testing

The value of coefficient determination of RCP is -5.653 with a significance value of 0.056. With a significance level of $\alpha = 5\%$, RCP significance value is higher than 0.05 ($0.056 > 0.05$) so it means there is no significant relation toward the firm value (PRICE). To conclude receivable collection period (RCP) has a negative but not significant relationship with firm's value (PRICE), as a result the second hypothesis (H2) is **accepted**.

3. Third hypothesis testing

The value of coefficient of determination of inventory conversion period (ICP) is -8.206 with a significance value of 0.000. With the significance level of $\alpha = 5\%$, the ICP significance value is lower than 5%. It means that there is no significant relation between ICP and firm's value (PRICE). So it can be concluded that inventory conversion period (ICP) has a negative but not significant relationship with firm's value (PRICE), therefore the third hypothesis (H3) is **accepted**.

4. Fourth hypothesis testing

The value of coefficient of determination of payable payment period (PPP) is 6.347 with a significance value of 0.776 which is higher than a significance

level of $\alpha = 5\%$ so the relation between payable payment period (PPP) and firm's value (PRICE) is significant. To conclude, the payable payment period (PPP) has positive significant relationship with firm's value (PRICE). As a result the fourth hypothesis (H4) is **accepted**.

4.7 Discussion

Below is the table 4.9 about the summary from hypothesis testing, that will give a better preview about the hypothesis testing.

Table 4.9
Hypothesis Testing Summary

Hypothesis	Decription	B	Sig.	Conclusion
1	Cash conversion cycle has a negative relation with firm's value	6.815	0.040	Rejected
2	Receivable collection period has a negative relation with firm's value	-5.653	0.056	Accepted
3	Inventory conversion period has a negative relation with firm's value	-8.206	0.000	Accepted
4	Payable conversion period has a positive relation with firm's value	6.347	0.776	Accepted

Source: Primary Data Processed, 2019

Based on table 4.9, the discussion can be interpret as follow:

4.7.1 Relationship between cash conversion cycle (CCC) toward firm's value

Based on table 4.9, cash conversion cycle has a positive insignificant relationship with firm value, so the first hypothesis is rejected. This result is not in accordance with the previous research conducted by Majanga (2012), Mawutor (2014), and Edwin (2013) revealing that cash conversion cycle has negative significant relationship with firm's value.

Cash conversion period is the term used to indicate how long the company needs to recover its asset especially cash after initially invested in production. Cash conversion cycle tends to be reasonable estimation of the cash turnover duration or the available fund to be realized in stock and receivable, so in order to make the working capital work efficiently the management should determine its cash conversion cycle. According to Majanga (2012), In formulating cash conversion cycle there are a few factors that affect the cash conversion cycle of a company has, the factor is payable and inventory conversion period. As inventory can affect the cash conversion cycle, it is important to know kinds of products to be sold, whether it is fast-moving consumer goods or not.

Based on the explanation above, the time taken by a company to pay its debt is affecting the cash conversion cycle which means if the company shows the higher value in it, it can be interpreted that the company has a longer time to pay off its debts. Also the company must maintain both its inventory and payable to have a shorter day of cash conversion cycle. The company like Aces Hardware Indonesia (ACES) has a high number of cash conversion cycle because as we know their products are not purchased in annual basis or even daily basis. That's why they have a high inventory conversion period and their financial statements show a high number of days needed to pay debts, This differs from the company that sells daily basis item like Alfaria Trijaya (AMRT) their product is easy to convert in to cash because they sell mostly a daily basis items.

4.7.2 Relationship between receivable collection period toward firm's value

Based on table 4.9, the receivable collection period has a negative significant relationship with firm value, so the second hypothesis is accepted. This result is in line with the previous research conducted by Majanga (2012), and Yogendrarajah (2014).

Firm value commonly has a strong relation with shareholders assessment, and the management can increase the value of the company by reducing the number of days accounts receivable collection period, increasing the number of days accounts payable and inventories to a reasonable minimum (Yogendrarajah, 2014). Account receivable period is the average number of days it takes for a company to collect debts from its customers. Receivable and payable are the two most important components of working capital that should be managed to increase based on the 2 different analysis, but the rank of this 2 terms are not the same as in the first analysis. AR is more important than AP and for the second analysis the result is vice versa. One reason could be the perception by SMEs management that the available funds can be used for paying expenses (Taurigana & Afrifa, 2013).

4.7.3 Relationship between inventory conversion period (ICP) toward firm's value

Based on table 4.9, the inventory conversion period has a negative insignificant relationship with firm value, so the third hypothesis is accepted. This result corroborates the previous research conducted by Edwin (2013), Majanga (2012), and Panigrahi (2013).

Inventory conversion period is the measurement of how long the company can keep its funds in inventory or in other word the duration of the inventory idle in the warehouse before sale. The longer the company hold too much inventory the

liquidation may be in trouble because it indicates that the company has difficulties to sell their products. inventory conversion period doesn't have big influence toward firm profitability. It means that slower or faster the duration of inventory conversion period, it will not give a significant effect on the firm profitability (Edwin, 2013).

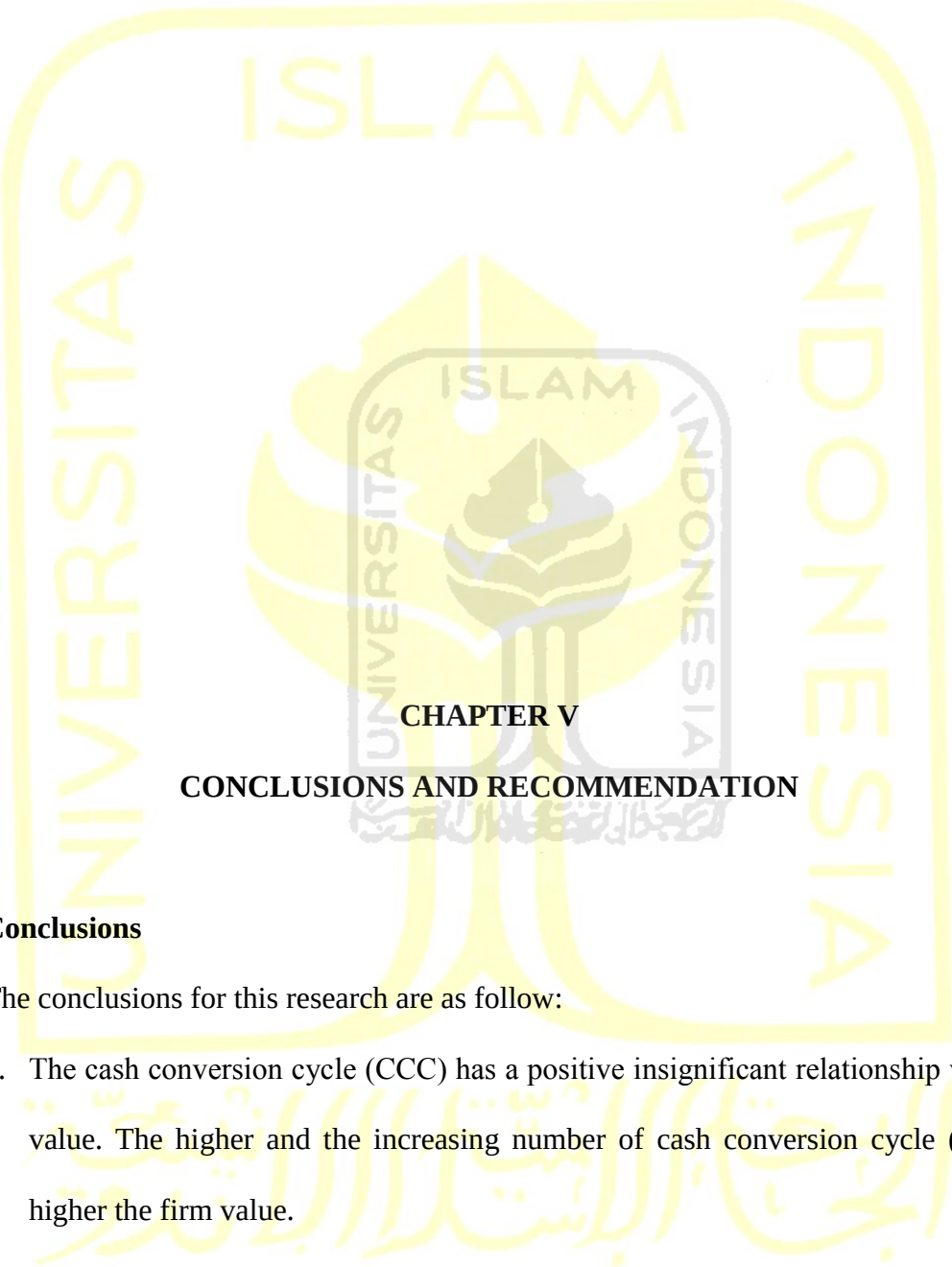
4.7.4 Relationship between payable payment period (PPP) toward firm's value

Based on table 4.9, the payable payment period has a positive significant relationship with firm value, so the fourth hypothesis is accepted. This result is support the previous research conducted by Majangan (2012), and Mawutor (2014).

Account payable payment period is the number of days a firm takes to pay off credit purchases. It measures the average period of credit taken from suppliers of goods and service. An increase in this measure could indicate that suppliers have allowed a longer period to pay. Yogendrarajah (2014) stated that managers can increase the value of its firm in the shareholders perspective by decreasing the number of days on receivable collection period, and increasing the number of days on payable payment period.

A high payable payment period number is usually very profitable for a company. If the time period for paying off business debt is getting longer, then the money owned by the company can be used to make short-term investments. But this is also risky for the company. Long repayment of debt can cause creditors to refuse future credit applications because they feel disadvantaged. In addition, the points contained in credit contracts are also more profitable for creditors, not companies. A high payable payment period can be an indication that the company

is having difficulty collecting funds to pay debts. So it can be concluded that a high payable payment period means 2 things: better credit conditions compared to other companies or the inability of the companies to pay debts on time.



CHAPTER V

CONCLUSIONS AND RECOMMENDATION

5.1 Conclusions

The conclusions for this research are as follow:

1. The cash conversion cycle (CCC) has a positive insignificant relationship with firm's value. The higher and the increasing number of cash conversion cycle (CCC), the higher the firm value.

2. The receivable collection period (RCP) has a negative significant relationship with firm's value. The number of receivable collection period (RCP), the higher the firm value.
3. The inventory conversion period (ICP) has a negative insignificant relationship with firm's value. The smaller the number of inventory conversion period (ICP), the higher the firm value.
4. The payable payment period (PPP) has a positive significant relationship with firm's value. The higher number of payable payment period (PPP), the higher the firm value.

5.2 Research Limitation

There are some several limitations in this research that may affect the research findings.

1. This research only uses retail companies listed on bursa efek indonesia (BEI) which can be accessed on idx.co.id during the period of 2014-2018
2. The coefficient of determination test shows 0.328 and with a residual value of 0.672, which means that all of 4 independent variables that are used in this research only able to describe and explain the variation of the dependent variable by 32.8%, while the rest - 67.2% are explained by other variables excluded in this study.

5.3 Recommendations

From the several limitations a few recommendations are provided for future researches:

1. It is recommended that research sample be enlarged by extending the time period or using companies from other sub sectors so as to make the data distribution better.
2. It is recommended that future studies add or change the dependent variable to other related dependent variable, such as return on assets (ROA) in order to provide adequate explanation of the effect of working capital on firm value from another perspective.

5.4 Research Implication

1. For company

This research is expected to give some additional information about the importance of managing working capital in order to increase the firm's value, and to give additional information in decision making related to strategies to increase the firm's value.

2. For investors

This research can be used by investors as additional information in investment decision – making process.

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Appendix 1

List of Indonesia Retail Companies 2014-2018

No	Code	Name
1	ACES	PT. Ace Hardware Indonesia, Tbk
2	AMRT	PT. Sumber Alfaria Trijaya Tbk
3	CSAP	PT. Catur Sentosa Adiprana Tbk
4	DAYA	PT. Duta Intidaya Tbk
5	ECII	PT. Electronic City, Tbk
6	ERAA	PT. Erajaya Swasembada Tbk
7	GLOB	PT. Global Teleshop Tbk
8	GOLD	PT. Visi Telekomunikasi Infrastruktur Tbk
9	HERO	PT. Hero Supermarket Tbk
10	KOIN	PT. Kokoh Inti Arebama TBK
11	LPPF	PT. Matahari Department Store Tbk
12	MAPI	PT. Mitra Adiperkasa Tbk
13	MIDI	PT. Midi Utama Indonesia Tbk

14	MPPA	PT. Matahari Putra Prima Tbk
15	RALS	PT. Ramayana Lestari Sentosa Tbk
16	RANC	PT. Supra Boga Lestari Tbk
17	SONA	PT. Sona Topas Tourism Industry Tbk
18	TELE	PT. Tiphone Mobile Indonesia Tbk
19	TRIO	PT. Trikonsel Oke Tbk

Appendix 2

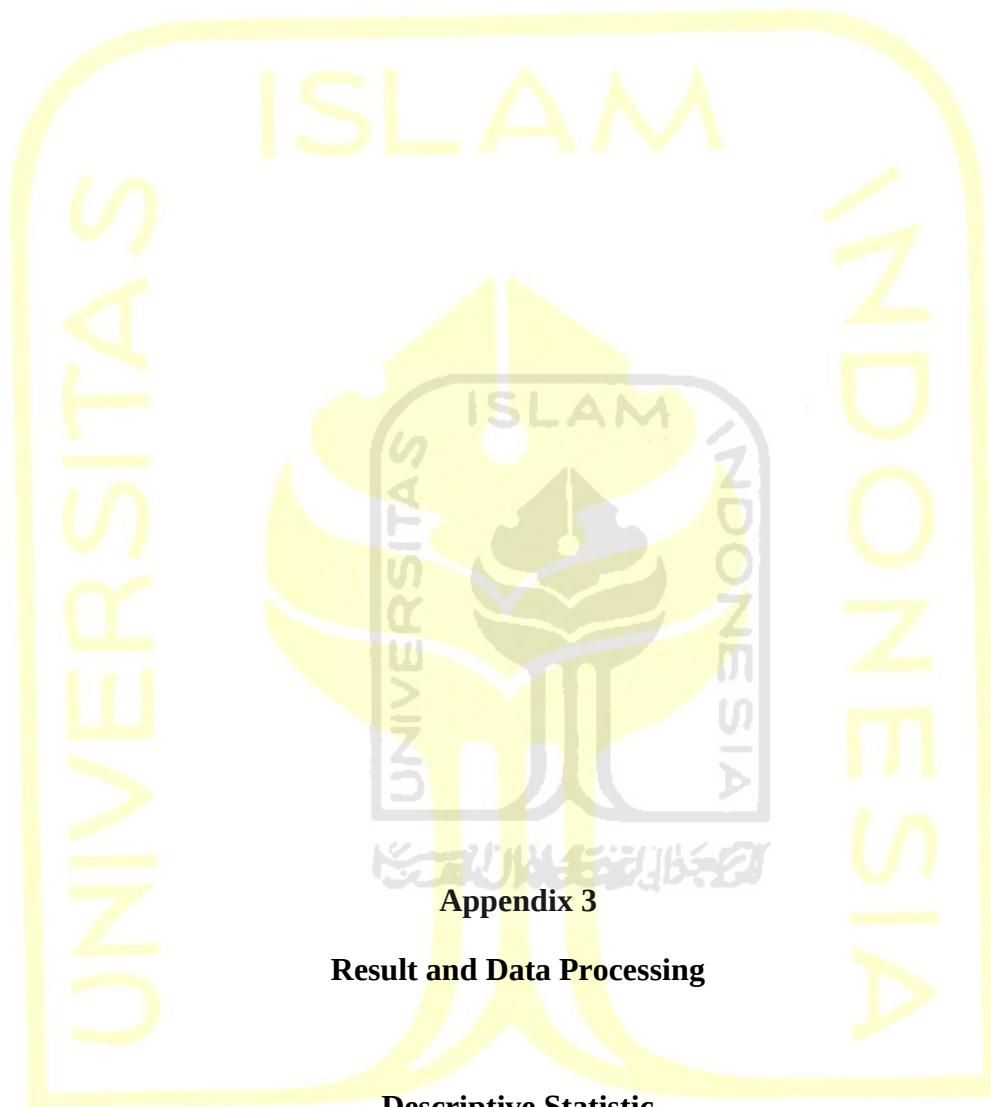
List of Independent and Dependent Variables in Indonesia Retail Companies 2014-2018

Name	Year	CCC	RCP	ICP	PCP	Price/share
Aces	2014	173	2	187	16	785
	2015	193	2	207	16	825
	2016	205	2	220	17	835
	2017	189	4	202	16	1.155
	2018	196	3	210	18	1.490
AMRT	2014	9	11	44	47	500
	2015	9	11	44	46	580
	2016	10	10	43	43	625
	2017	13	11	48	46	610
	2018	10	11	48	49	935
CSAP	2014	33	37	70	74	575

	2015	45	43	79	77	395
	2016	47	49	82	84	525
	2017	48	50	78	80	454
	2018	207	207	340	339	545
DAYA	2014	30	7	128	105	194
	2015	30	8	139	118	194
	2016	11	10	137	135	194
	2017	3	13	130	139	189
	2018	-13	13	131	158	210
ECII	2014	22	2	77	57	850
	2015	25	2	69	46	850
	2016	98	3	112	18	600
	2017	76	5	97	26	605
	2018	57	4	79	26	1.130
ERAA	2014	53	27	53	28	1.090
	2015	37	29	45	37	545
	2016	25	30	46	51	600
	2017	17	23	46	52	735
	2018	21	16	59	54	2.200
GLOB	2014	17	21	57	62	950
	2015	3	28	42	68	488
	2016	-105	6	21	132	456
	2017	-130	1	14	145	456
	2018	-170	2	10	182	324
GOLD	2014	88	21	129	62	210
	2015	3	28	42	68	300
	2016	-105	6	21	132	500
	2017	-130	1	14	145	560
	2018	-169	2	10	181	540
HERO	2014	27	8	72	52	2.380
	2015	28	10	72	53	1.150
	2016	31	5	73	46	1.260
	2017	31	7	68	45	925
	2018	26	8	64	47	790
KOIN	2014	8	75	39	106	445
	2015	-8	82	44	133	290
	2016	-10	89	62	162	300
	2017	5	89	65	148	298
	2018	16	104	62	150	232
LPPF	2014	-61	2	107	170	15.000
	2015	-53	2	107	162	17.600

	2016	-58	2	99	159	15.125
	2017	-59	4	97	160	10.000
	2018	-44	5	108	158	5.600
MAPI	2014	119	10	177	68	508
	2015	120	10	170	60	380
	2016	113	9	160	55	540
	2017	91	10	131	50	620
	2018	77	9	116	48	850
MIDI	2014	-1	4	50	55	585
	2015	7	8	51	52	780
	2016	10	11	50	50	810
	2017	12	11	52	51	1.050
	2018	21	14	58	51	1.070
MPPA	2014	18	1	80	63	3.050
	2015	29	1	85	58	1.825
	2016	20	1	85	66	1.480
	2017	12	2	68	59	452
	2018	12	2	64	53	152
RALS	2014	-2	1	80	84	800
	2015	-6	1	84	91	645
	2016	-5	1	83	89	1.195
	2017	-14	1	84	99	1.299
	2018	1	1	90	90	1.420
RANC	2014	6	8	62	64	445
	2015	1	7	48	55	340
	2016	6	7	48	49	530
	2017	4	7	50	53	330
	2018	-7	6	49	62	314
SONA	2014	80	2	136	59	4.100
	2015	67	2	127	62	4.050
	2016	58	2	126	69	2.520
	2017	51	2	135	86	2.300
	2018	65	2	145	82	5.700
TELE	2014	42	37	21	16	930
	2015	46	32	25	12	770
	2016	59	34	34	9	855
	2017	76	37	45	6	1.000
	2018	79	37	47	5	940
TRIO	2014	95	68	97	70	1.275
	2015	90	60	59	29	2.000
	2016	-115	11	24	150	2.000

	2017	-87	3	25	115	2.000
	2018	-98	3	18	119	236



Appendix 3

Result and Data Processing

Descriptive Statistic

Statistics						
		CCC	RCP	ICP	PPP	PRICE
N	Valid	95	95	95	95	95
	Missing	0	0	0	0	0
Mean		21.6211	16.5158	80.2947	75.2632	1572.0526
Std. Deviation		70.30786	22.31346	48.03476	46.03796	2946.36939
Minimum		-170.00	1.00	10.00	5.00	152.00

Maximum	205.00	104.00	220.00	182.00	17600.00
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Classical Assumption Test

Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		72
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	10.05265688
Most Extreme Differences	Absolute	.094
	Positive	.094
	Negative	-.064
Test Statistic		.094
Asymp. Sig. (2-tailed)		.191 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.467 ^a	.218	.192	2648.66946	.491
a. Predictors: (Constant), CCC, RCP, ICP, PPP					
b. Dependent Variable: PRICE					

Multicollinearity Test

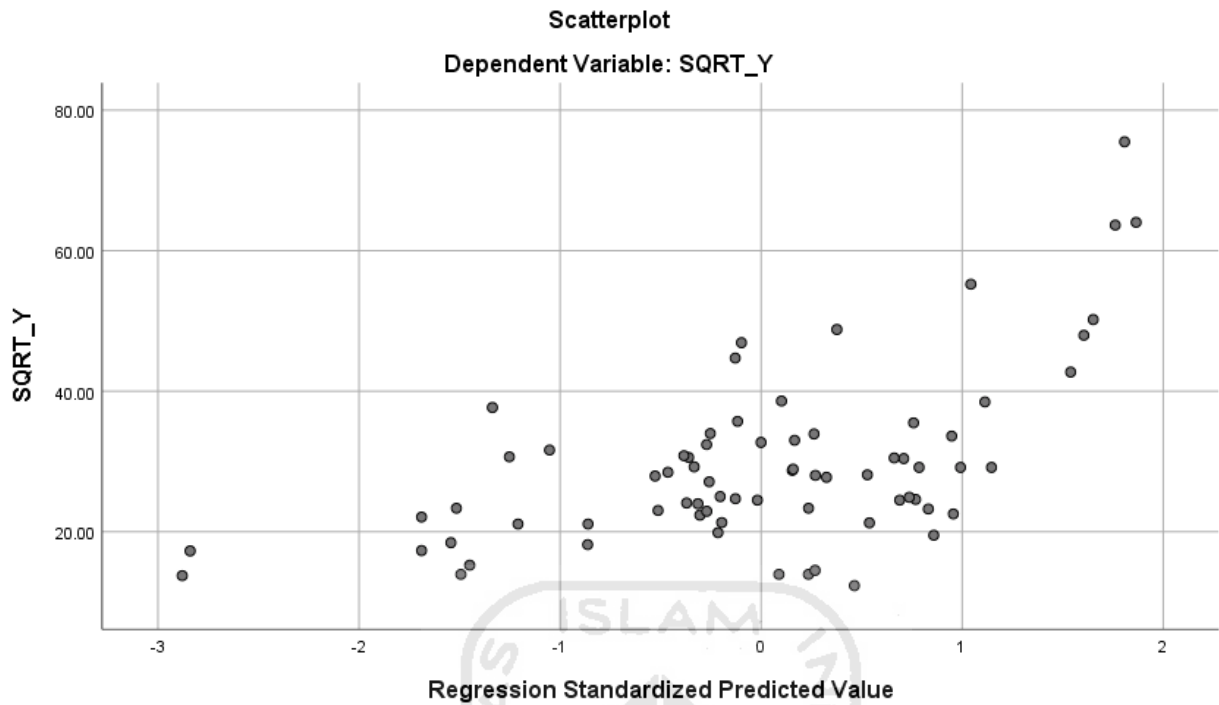
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				Tolerance	VIF
1	(Constant)	-892.279	801.388			-1.113	.268		
	PPP	37.725	9.040	.589		4.173	.000	.431	2.321
	CCC	11.477	5.913	.274		1.941	.055	.432	2.316
	RCP	-37.727	12.710	-.286		-2.968	.004	.928	1.078
a. Dependent Variable: PRICE									

Multiple Regression Analysis

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	36.578	5.318		6.879
	CCC	-6.815	1.483	1.927	4.594
	RCP	-5.653	1.106	-1.161	-5.110
	ICP	-8.206	1.972	-1.801	-4.162
	PPP	6.347	1.601	1.298	3.964
a. Dependent Variable: PRICE					

Scatterplot



Coefficient of Determination

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.573 ^a	.328	.288	10.34839
a. Predictors: (Constant), CCC, RCP, ICP, PPP				
b. Dependent Variable: PRICE				

Hypothesis Testing

Coefficients ^a				
Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	36.578	5.318	.270
	CCC	6.815	1.483	.040
	RCP	-5.653	1.106	.056
	ICP	-8.206	1.972	.000
	PPP	6.347	1.601	.776
a. Dependent Variable: PRICE				

Hypothesis Testing Summary

Hypothesis	Decription	B	Sig.	Conclusion
1	Cash conversion cycle has a negative relation with firm's value	6.815	0.040	Rejected
2	Receivable collection period has a negative relation with firm's value	-5.653	0.056	Accepted
3	Inventory conversion period has a negative relation with firm's value	-8.206	0.000	Accepted
4	Payable conversion period has a positive relation with firm's value	6.347	0.776	Accepted

