

**ANALYSIS OF WORKING CAPITAL MANAGEMENT AND
PROFITABILITY FOR MANUFACTURING INDUSTRY**

By

Muhammad Restoe Putra
13412110

BACHELOR'S DEGREE
in
ACCOUNTING
BUSINESS ADMINISTRATION AND HUMANITIES



SWISS GERMAN UNIVERSITY
The Prominence Tower
Jalan Jalur Sutera Barat Kav 15,
Alam Sutera, Panunggan Tim., Pinang
Kota Tangerang, Banten 1514
Indonesia

August 2017

Revision after the thesis defense on 27 July 2017

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no materials previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

Muhammad Restoe Putra

Student

Date

Approved by:

Dr. Yosman Bustaman M.Buss

Thesis Advisor

Date

SWISS GERMAN UNIVERSITY

Dr. Nila Krisnawati Hidayat, SE, MM

Dean

Date

ABSTRACT

**ANALYSIS OF WORKING CAPITAL MANAGEMENT AND PROFITABILITY
FOR MANUFACTURING INDUSTRY**

By

Muhammad Restoe Putra

Dr. Yosman Bustaman M.Buss, Advisor

SWISS GERMAN UNIVERSITY

The purpose of this paper is to examine the relationship between working capital management and profitability. The dependent variable, return on asset and stockholder return as robustness test as a measure of profitability and the affiliation between working capital management and firm's profitability for a sample of 86 manufacturing industries for a period of 2008 – 2015, through the use of panel data analysis. The study found statistically significant negative relationship between average number days of account receivable and cash conversion cycle towards profitability. Based on the result of analysis as the cash conversion cycle increase, it affect of the decrements in profitability. Therefore, Manager can generate a profit by reducing the cash conversion cycle and reducing the collection period in minimum level.

Keywords: Working capital management, Profitability, Cash conversion cycle, Manufacturing Industries



DEDICATION

This thesis is dedicated to my dad in heaven



ACKNOWLEDGEMENTS

Alhamdulillah rabil ‘alamin, I am as researcher express my highest gratitude to Allah subhanahu wa ta’ala for blessing love, opportunity, health and mercy to complete this undergraduate thesis. This thesis entitled “Analysis of Working capital Management and Profitability for Manufacturing Industry” is submitted as the final requirement in accomplishing undergraduate degree at Accounting Business Administration and Humanities in Swiss German University.

In arranging this thesis, a lot of people have provided motivation, advice and support for the researcher. In this valuable chance, I intended to express my gratitude and appreciation to all of them. First of all, my appreciation goes to my beloved parents, my mother Ms. Atika Zairina Hasan, for the endless love, pray and support. My father Mr. Herman Heru Suprobo for his concern every week in order to remind me to keep going and never give up. Also to my three beloved sisters Yulliana Adhika, Diana Adhika and Rhiana Adhika for every support in any form and give me reason to be focus to finish my study as soon as possible.

This thesis would not have been possible without the help, support and patient of my thesis advisor, Mr. Yosman Bustaman for his supervision, advice and guidance from the beginning of this research as well as giving me extraordinary experience throughout the past few years.

I would like to say thanks to all of my classmates Mita, Amel, Arif, Stefan, Stella, Febrian, Yaga, and Adri. Thank you for being such a good friend and always ready to help me in any problems through the college time.

Finally, I would like to thank everybody who was important to the successful realization of this undergraduate thesis. This undergraduate thesis is far from perfect, but it is expected that will be useful not only for the researcher, but also for the readers. For this reason, constructive thoughtful suggestion and critics are welcomed.

TABLE OF CONTENTS

STATEMENT BY THE AUTHOR.....	2
ABSTRACT	3
DEDICATION	5
ACKNOWLEDGEMENTS.....	6
TABLE OF CONTENTS	7
LIST OF FIGURES	10
LIST OF TABLES	11
LIST OF APPENDICES	12
CHAPTER 1 – INTRODUCTION	
1.1 Background	13
1.2 Research Problem.....	17
1.3 Research Objectives	20
1.4 Research Questions	20
1.5 Significance of Study	21
1.6 Scope and Limitation.....	21
1.7 Thesis Structure.....	21
CHAPTER 2 – LITERATURE REVIEW	
2.1 Working Capital Management.....	23
2.2 Working Capital Objective	23
2.3 Working Capital Policies	24
2.4 Working Capital	
2.4.1 Cash Conversion Cycle.....	26
2.4.2 Average Number Days of Account Receivable	27
2.4.3 Average Number of Days of inventory.....	28
2.4.4 Average Number of Days of Account Payable.....	29
2.5 Working Capital Management Efficiency	30
2.5.1 Account Receivable Management	30
2.5.2 Inventory Management	31
2.5.3 Account Payable Management	33
2.6 Profitability	34
2.6.1 Return on Asset.....	34
2.6.2 Stock Return.....	35
2.7 Control Variable	36
2.7.1 Sales Growth.....	36
2.7.2 Firm Size.....	37

2.7.3 Leverage.....	37
2.8 Previous studies	39
2.8.1 Table of Previous Studies	41

CHAPTER 3 – RESEARCH METHODOLOGY

3.1 Population and Sampling.....	51
3.2 Data Sources and Collection	51
3.3 Theoretical Framework	52
3.3.1 Research Process	52
3.3.2 Framework of Thinking	54
3.3.2.1 Dependent and Independent Variable Measurements.....	54
3.3.3 Research Model	57
3.4 Method of Data Analysis.....	57
3.4.1 Panel Data Analysis.....	57
3.4.2 Testing the Model.....	60
3.4.2.1 Normality Test	60
3.4.2.2 Multicollinearity	60
3.4.2.3 Autocorrelation	60
3.4.2.4 Heteroskedasticity	61
3.5 Hypothesis	61

CHAPTER 4 – RESULT & DISCUSSION

4.1 Descriptive Statistic.....	62
4.2 Classical Assumption	68
4.2.1 Normality Test	68
4.2.2 Multicollinearity Test.....	68
4.3 Analysis and Result	69
4.3.1 Robustness Test	77

CHAPTER 5 – CONCLUSION & RECOMMENDATIONS

5.1 Conclusion	86
5.2 Recommendations.....	88

GLOSSARY.....	91
----------------------	-----------

REFERENCES.....	93
------------------------	-----------

APPENDICES	101
-------------------------	------------

CURRICULUM VITAE.....
------------------------------	--------------