ABSTRACT

The level of firm profitability can be determined by firm ability to manage its working capital, so the working capital management policy regarding cash conversion period, account receivable period, inventory conversion period, and account payable period becomes important to be examined. Therefore, this study aims to analyze the effect of working capital management on firm profitability. Where cash conversion cycle and its components (account receivable days, inventory days, and account payable days) as proxies of working capital management. Meanwhile, return on assets (ROA) as proxy of firm profitability and also firm size, leverage, and current ratio as control variables used in this study.

The population of this study was 183 manufacturing companies listed on the Indonesia Stock Exchange during 2014-2018. By using purposive sampling method and removing outlier data, there are 60 manufacturing companies which are used as research samples. The analytical method used in this study is multiple linear regression analysis.

The results of this study found that cash conversion cycle, account receivable days, and inventory days has significant negative effect on return on assets as a proxy for firm profitability. Then, account payable days have a significant positive effect on firm profitability (return on assets).

Keywords : *Profitability, return on assets, working capital management, cash conversion cycle, account receivable days, inventory days, account payable days*