

WORKING CAPITAL MANAGEMENT AND PROFITABILITY: A STUDY ON CONSUMER GOODS INDUSTRY

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***Abstract** - This study aimed to analyze the effect of working capital management on the profitability of consumer goods industry sector listed on the Indonesia Stock Exchange during the period 2009-2013. Number of observations in this study was 140 observations. In order to know the relationship occur among the independent variable (Average Collection Period, Inventory Conversion Period, Average Payment Period, and Cash Conversion Cycle) on Gross Profit Margin using the multiple linear regression analysis model, F-test and t-test was conducted. The control variables that were used in this study for the measurement of working capital management are Firm Size and Leverage. The study established that gross profit margin was positively correlated with Average Collection Period and Average Payment Period but negatively correlated with Inventory Conversion Period and Cash Conversion Cycle. The relationship between Inventory Conversion Period and Cash Conversion Cycle with Gross Profit Margin was insignificant. For the control variables, only debt ratio was positively correlated and significant with profitability. While firm size was negatively correlated and insignificant with profitability. The results suggest that managers can increase profitability of consumer goods industry sector by reducing average collection period and cash conversion cycle.*

Keywords: Working Capital Management, Firm Size, Leverage, Profitability