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THE EFFECT OF WORKING CAPITAL MANAGEMENT ON THE PROFITABILITY OF FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2014-2019

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ABSTRACT

This study aims to examine and analyze the effect of working capital management on the profitability of food and beverage companies listed on the Indonesian stock exchange in 2014-2019. Good and efficient working capital management can be seen from the Cash Conversion Cycle (CCC), Account Receivable Period (ARP), Inventory Turnover Period (ITP), and Account Payable Period (APP). The object of this research is food and beverage companies on the Indonesia Stock Exchange in 2014-2019. This study uses purposive sampling technique to determine the sample. The data analysis technique used in this study is Linear Regression using the SPSS application. The results of this study indicate that (1) Cash Conversion Cycle (CCC) has a positive effect on profitability, (2) Account Receivable Period (ARP) has a positive effect on profitability, (3) Inventory Turnover Period (ITP) has a positive effect on profitability, while (4) Account Payable Period (APP) has a negative effect on profitability.

KEY WORDS

Working capital management, cash conversion cycle, account receivable period,inventory turnover period, account payable period.

Companies or organizations carry out various activities to achieve predetermined goals. One of them is to take advantage of the activities carried out in the short term and long term. Efforts to achieve that goal are that the company must be able to operate smoothly and be able to combine all existing resources, so that it can achieve optimal results and profit levels and this requires management with a high level of effectiveness. According to Bringham (2014), the measurement of the level of management effectiveness indicated by the profit generated from sales and from investment income, can be done by knowing how big the profitability ratio is. Knowing the profitability ratios owned allows the company to monitor the company's development from time to time.

The survival of the company is influenced by many things, including the profitability of the company itself. Profitability is one of the factors to assess the good or bad performance of the company. Profitability is the company's ability to generate profits at a certain level of sales, assets and share capital (Hanafi, 2014:42). One indicator to see the prospects of a company in the future is to look at the growth of the company's profitability (Tandelilin, 2010:372).

The high and low level of company profitability is strongly influenced by internal factors and external or macroeconomic factors. Internal factors include management capabilities, employee competencies, reward and punishment systems, assets used, debt, sales and company competencies according to the resources based views approach (Sartono, 2010:76).

The rate of sales growth can affect the company's profitability. The higher the net sales made by the company, the higher the gross profit that can be obtained, so that it can encourage the higher the profitability of the company. Positive sales growth reflects the company's better performance. The higher the sales growth achieved, the higher the profit to be received, so that there is a positive effect of sales growth on profitability (Hery, 2012: 103).

Profitability as a company's ability to earn profits in relation to sales, total assets and

own capital is often used to measure the efficiency and effectiveness of the use of working capital in a company by comparing profits with working capital used in operations. Seeing the level of profitability and working capital of a company from year to year, can help in knowing whether there is an increase or decrease in the level of profits and working capital of a company (Kasmir, 2015: 300).

There are various measures of Profitability, namely: a) *Return on Equity (ROE) which is the ratio or comparison between Earnings After Taxes (EAT) and Equity.* b) Return on Assets (ROA) which is a comparison between Earnings After Taxes (EAT) and Total Assets. Profitability is a measure of the performance of a profit-oriented organization. One of the profitability ratios that will be used in this research is Return on assets (ROA). ROA shows how big the level of net profit after tax that can be obtained from the use of all assets owned by the company. The higher this ratio, the better a company, because the greater the return (Mamduh M. Hanafi and Abdul Halim, 2014:159).

Profit is very important for the company because to carry on its life a company must be in a favorable condition, without profit it will be difficult for the company to attract capital from outside. The directors, owners of the company, and most importantly the management of the company will try to increase this profit, because they are well aware of the importance of profit for the future of the company. One thing that companies can do is manage working capital (Supriyadi, 2011).

In order to maximize the profits earned by the company, financial managers need to know the factors that have a major influence on the company's profitability. According to Dipietre (1997), to maximize each factor, it is necessary to have asset management, cost management and debt management. According to Sawir (2009), working capital management is an activity that includes all management functions of the company's current assets and short-term liabilities. Working capital management is very important because the current assets of manufacturing companies make up more than half of their total assets, while for distribution companies the amount can be greater. The purpose of working capital management is to manage current assets and current liabilities in order to obtain a proper net working capital and ensure the level of company profitability. Therefore, working capital management must consider appropriately and will ultimately affect the company's profitability (Harahap, 2008:278).

Working capital management carried out by the company aims to increase company profits. Through working capital management, companies can find out the state of company funds so that they can assist in decision making (Riyanto, 2011:78). Working capital management is one of the most important components in company finances. Liquidity will be related to current assets and current liabilities. Liquidity is defined as the ability of a business organization to meet its short-term debts and obligations as they fall due. Or it can be defined as the average time period required to convert non-cash current assets into cash (Esra and Apriweni, 2002). Cash, receivables and inventories are components of current assets that are closely related to sales activities. The relationship between items of current assets and current liabilities is called the working capital of the business organization. Working capital can be seen as the difference between total current assets and total current liabilities, that is, the remaining current assets after paying all current liabilities. The related literature has identified other measures of the liquidity position of business organizations such as the current ratio, the acid-ratio (Harahap, 2008: 288).

The management of working capital is known as working capital management or also known as working capital management. The basic objective of working capital management is to manage the company's current assets and current liabilities in such a way that the desired amount of net working capital is maintained. *Net working capital is current assets minus current liabilities (Brigham and Houston, 2014:62).*

Everyday working capital is needed to fund the company's operational activities which are expected to be able to return to the company's cash in the short term, thus these funds will continue to rotate every period in the company (Sartono, 2010:385). Cash Conversion Cycle (CCC) is when cash is invested in working capital components until it returns to cash. The working capital needs of a company are directly related to the time needed to obtain

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goods to be sold and basic materials to be produced until the goods are sold. The longer the time required to produce or to obtain these goods, the greater the working capital required (Alipour, 2011).

Working capital management includes all management functions of the company's current assets and short-term liabilities (Esra and Apriweni, 2002). Working capital is used by every company to finance daily operational activities, companies need working capital management that is in accordance with the company to use their working capital efficiently. Business failure is caused by the inability of financial managers to properly plan and control the current assets and current liabilities of the company (Lukman and Dira, 2009:124).

The form of a poor return on investment can be seen in companies that have excessive current assets, which are called poor due to excessive working capital which means that a lot of capital is unemployed and causes the company's profits to be not optimal (Uremadu, 2012: 82). This means that if a company has enough current assets, it should be used to make investments that can maximize company profits. Working capital management is said to be very important so that it is necessary to develop sustainable working capital management practices (Lokollo, 2013:1).

If working capital management is managed properly, it will have a significant impact on the company's profitability. Cash Conversion Cycle (CCC) is related to inventory policy, receivables receipt policy, and debt deferral policy which is calculated through the inventory period, accounts receivable turnover period, and accounts payable period. These components are a measure used in looking at the company's working capital management on profitability (Riyanto, 2012:95).

The food and beverage industry has a different use of working capital from the service industry (retail/retail goods sub-sector), this difference can be seen if the working capital of food and beverage companies is used to purchase supplies for later processing, while in the service industry sector, companies usually buy inventory without carrying out the production process on goods and then sell these goods. So that food and beverage companies have a faster cash cycle than the service industry.

A good company is a company that has great profitability (Petronela, 2004:48). In the management of working capital, the company must manage accounts receivable. Account Receivable Period (ACP) is the time required by the company to collect its receivables. Analyzing whether there is a problem in the collection of receivables must be done by the manager. Knowing the time it takes the company to collect its receivables, can help the company to find out how far the company's policies can support effectively in collecting receivables (Harahap, 2013).

The best management of the Account Receivable Period (ARP) can maximize company profits. The period of collection of receivables with a small amount of collection time indicates that the company can collect its receivables quickly and such conditions will result in the company's relative profit increasing (Robert C, 2004). This increased profit is because the company will quickly get more working capital so that it is able to produce more products. Companies that can collect receivables quickly can reduce the risk of bad debts. The company can also benefit in the form of cash inflows into the company through the settlement of receivables so that it will increase the company's revenue. This increase in income will support the company's operating activities so that it can generate large profits for the company (Lokollo, 2013).

The next part of working capital is inventory. Inventories are part of current assets that have a fairly large quantity and require special attention. Most companies maintain inventory levels at a certain level. This happens because the company wants to have sufficient inventory so that the company's sales can continue to run. If there is not enough inventory, there can be a decrease in sales volume below the achievable level (Subramanyam and Wild, 2013).

How much time it takes a company to convert inventory into cash or into debt is called the Inventory Turnover Period (ITP) (Subramarnyam and Wild, 2013). The slower the company holds its inventory, the lower the cash generated from the sale of the inventory, where this will have an impact on reducing funds for working capital, and reduce the

company's operational activities and will reduce company profits (David, 2011).

Account Payable Period (APP) must also be managed properly by the management. Proper analysis by management of when to withhold debt payments and when to pay debts must be carried out. The length of time required by the company to pay debts will determine the trust of creditors which will have an impact on the value of the company (Horne, 2012). This will reduce working capital funds obtained from outside parties and reduce the company's operational activities. However, when the company withholds debt payments, these funds can be used to expand the company's operational activities (Gill, 2011).

Food and beverage companies are an alternative investment that investors are interested in. Food and beverage industry companies have quite good prospects and tend to be in demand by investors as one of their investment targets. The reason is that the products of this industry tend to be favored by the public, such as snacks, energy drinks, and packaged drinks that are easy to carry around. Food and beverage companies are a category of consumer goods manufacturing industry companies, where the products are very much needed by the community, so that the prospects are profitable both now and in the future, this is evident at the time of the global crisis, only food and beverage companies that can survive the brunt of the global crisis. Demand in this sector remains high. The food and beverage industry can survive not depend on export raw materials and use more domestic raw materials (Firdausiah, 2015).

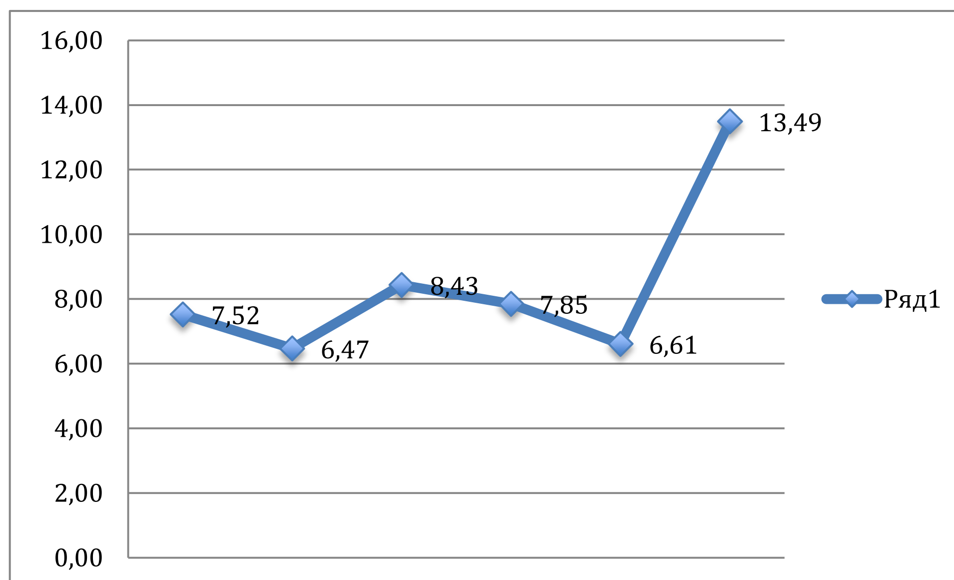

Figure 1 – ROA of Food and Beverage Companies on the Indonesia Stock Exchange in 2014-2019 (Source: Processed data, 2021)

In Figure 1, it can be seen that the Return on Assets (ROA) of food and beverage companies on the Indonesia Stock Exchange fluctuates every year. However, from the picture it is also known that the ROA of this food and beverage company on the Indonesia Stock Exchange has increased. Facing the current economic situation and condition where there is a lot of competition, every company must be able to manage every business activity. Several companies engaged in the food and beverage sector experienced problems. For example, PT. Tiga Pilar Sejahtera Tbk, which is known for its Taro snack product, is in danger of going bankrupt because it has a lot of debt. In addition to these companies, there is also PT. Sariwangi Agricultural Estate Agency which went bankrupt due to debt. PT. Sariwangi Agricultural Estate Agency has quite a lot of debt because the investment made by the company is not right. Here we can see that working capital management is very necessary to maintain the survival of a company.

Sin Huei (2017), Babalola (2013), and Mawutor (2014) in their research results say that there is a negative relationship between Cash Conversion Cycle (CCC) and company

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profitability, while research by Mustcettola (2014) and Mbawuni (2016) says there is a positive relationship between Cash Conversion Cycle (CCC) and company profitability. Research conducted by Nobanee (2014) and Mbawuni (2016) says that the Inventory Turnover Period (ITP) has a negative relationship to company profitability while research from Shah (2016) says otherwise. There are differences in the results of several studies that have been conducted. Based on the results of research from Agha (2014) said that Account Receivable Period (ARP) had a positive effect on company profitability, while Iluta Arbidane (2014) and Mawutor (2014) said that there was a negative relationship between Account Receivable Period (ARP) and company profitability.

Based on research from Mbawuni (2016) and Gachira (2014), there is a negative relationship between Account Payable Period (APP) and company profitability, while Dr. John Francis (2017) said the Account Payable Period has a positive relationship to the company's profitability. With the finding of differences in results regarding research conducted by previous researchers, this study seeks to re-examine the variables that have been used in previous studies. Given the importance of the concept of working capital management to business success, this study which aims to examine the relationship between profitability and working capital management of business organizations is equally important. Based on this background, researchers are motivated to examine the effect of working capital management components on profitability, which will help companies make more informed decisions and improve the company's working capital management.

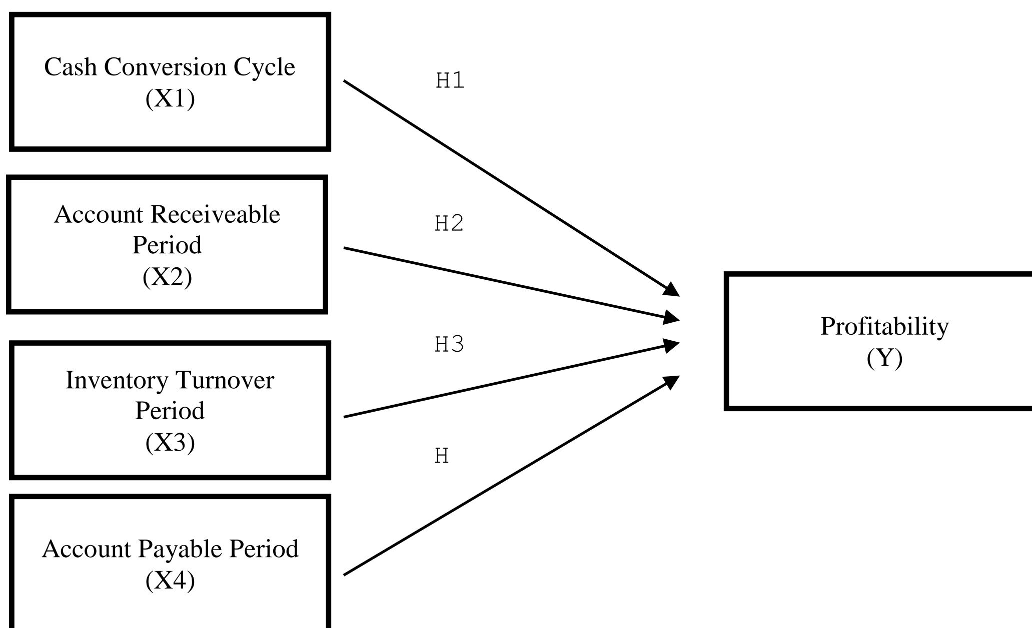

Figure 2 – Conceptual Framework

Effect of Cash Conversion Cycle (CCC) on Profitability

The cash conversion cycle (CCC) is the time span between the purchase of raw materials and the collection of cash for the sale of finished products, starting after the trade payabl*es are paid off (Muhammadinah, 2015).* The shorter the cash conversion cycle, it can be said that the company's performance is good because the cash tied up in working capital is managed effectively and efficiently so that the profits to be obtained by the company are even greater because the time period for cash turning into cash is short. Cash Conversion Cycle is the amount of time or length of time the company's resources are tied up (Gitman, 2014). A short cash conversion cycle indicates that the engagement in current assets is low, for example the company does not keep a lot of inventory, thereby reducing maintenance costs. Efficient working capital management can be demonstrated by a short cash conversion cycle, where Alipour (2011) revealed that a short inventory period as seen from

faster product sales, a short receivable collection period in which receivables are received is accelerated, and an extended debt period where delaying payments can increase profitability. This is in accordance with Raheman (2007), Agha (2014), and Muscettola (2014) that there is a positive relationship between the Cash Conversion Cycle and company profitability.

Hypothesis 1: Cash conversion cycle (CCC) has a positive effect on profitability.

Effect of Account Receivable Period (ARP) on Profitability

Account Receiveable Period (ARP) is the time span needed to convert trade receivables into cash after credit sales occur (Firdausiah, 2015). The short or short time period for converting trade receivables can indicate that the management of the working capital component in the form of accounts receivable has been running effectively and efficiently so that it can be said that the company has good performance and can contribute to increasing company profitability. The period of collection of receivables with a small amount of collection time indicates that the company can collect its receivables quickly and such conditions will result in the company's relative profit increasing. Companies that can collect receivables quickly can reduce the risk of bad debts. The company can also benefit in the form of cash inflows into the company through the settlement of receivables so that it will increase the company's revenue. This increase in income will support the company's operating activities so that it can generate large profits for the company (Lokollo, 2010). Mensah (2014) obtained research results which showed that the average collection of receivables proxied by the Account Receiveable Period (ARP) had a positive effect on profitability. Similar results were obtained by Makori (2013).

Hypothesis 2: Account Receivable Period (ARP) has a positive effect on profitability.

Effect of Inventory Turnover Period (ITP) on Profitability

Inventory turnover period (ITP) is the time span needed to convert raw materials into finished products and then sell the product (Firdausiah, 2015). Inventory turnover periods that run quickly or briefly can indicate good company performance so that an increase in profitability occurs. The daily inventory turnover period (ITP) can reflect good inventory management. The smaller the inventory turnover period means the faster inventory sales are made (Raheman, 2007). High sales speed means the company can generate large profits. Inventory turnover shows the number of times the funds embedded in inventory rotate in a period. The higher the inventory turnover rate, the lower the risk of loss caused by price declines or changes in consumer tastes, besides that it will save storage and maintenance costs for these inventories. This means that the higher the inventory turnover, the greater the profit obtained. Mbawuni (2016) obtained research results showing that daily inventory turnover has a positive effect on profitability. Research conducted by Gachira (2014) and Francis (2017) supports the research of Mbawuni (2016) by obtaining the same research results.

Hypothesis 3: Inventory Turnover Period (ITP) has a positive effect on profitability.

Effect of Account Payable Period (APP) on Profitability

Account Payable Period (APP) or the period of suspension of trade payables is the time span used for companies to pay off transactions for purchasing raw materials and paying salaries or wages of employees and credit (Firdausiah, 2015). Companies can shorten the cash conversion cycle by speeding up the accounts receivable period and inventory conversion period, and simultaneously slowing down the account payable period. The efficiency of working capital management is indicated by the shorter the cash conversion cycle, the higher the company's profitability. Companies can maximize profits by managing their debt payments as well as possible. The cash conversion cycle can be shortened by extending the service life of the debt. It should be noted, however, that management is expected to be able to slow down debt payments without damaging its reputation and credibility. Delay or suspension of debt may only be carried out until the maximum limit of debt payments has been permitted by the creditor. The longer the company suspends its

debts from creditors, the working capital funds can be used to expand the company's operational activities, where this will have an impact on increasing company sales and will ultimately increase company profits.

Research conducted by Marco (2014) and Haitham (2014) found that the average period of debt repayment has a positive effect on profitability.

Hypothesis 4: Account Payable Period (APP) has a negative effect on profitability.

METHODS OF RESEARCH

Research design is a plan of research structure that directs research processes and results so that as far as possible they are valid, objective, effective, and efficient (Hartono, 2013). The location of this research was carried out at food and beverage companies on the Indonesia Stock Exchange by accessing the official website of the Indonesia Stock Exchange, namely www.idx.co.id and directly accessing the websites of each company. The time span used in this research is 2014-2019. Researchers use this time span to get the latest data. The object of this research is company profitability which is influenced by working capital management in the food and beverage sub-sector manufacturing industry on the Indonesia Stock Exchange for the 2014-2019 period. The population used in this study is a number of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015 - 2019. This study uses a purposive sampling technique, where according to Sugiyono (2017:122) the purpose of using purposive sampling is to get a representative sample in accordance with the criteria determined by the researcher. The purposive sampling technique uses several criteria, first, food and beverage companies listed on the Indonesia Stock Exchange for the period 2014 - 2019. Second, the company did not carry out company restructuring such as acquisitions and mergers, and the company did not experience changes in industry groups. The last is they have complete the data related to the variables used in the study. Based on the use of these criteria, 18 food and beverage companies were sampled in this study with the following details.

Table 1 - Sampling Criteria

Sampling Criteria	Total
Number of Manufacturing Companies listed on the IDX during the period 2014 – 2019	168
Number of Non-Consumer Goods Companies	(116)
Number of Non-Food and Beverage Sub-Sector Companies	(27)
Number of Companies with incomplete data	(7)
Number of companies being sampled	18

Source: Indonesian Capital Market Directory (ICMD) 2014 – 2019.

The sample in this study was 18 companies in each year, so the number of observations used was 108 for 6 years. The data analysis technique in this study is multiple linear regression analysis using SPSS 13.0

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics are statistics used to analyze data by describing the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations (Sugiyono, 2014: 142). The presentation of descriptive statistics aims to provide an overview of the characteristics of the research variables, including the minimum, maximum, mean and standard deviation values. The results of descriptive statistics can be seen in Table 2.

Table 2 shows an overview of the descriptive statistics for each variable. The following is a description of descriptive statistics, first, the profitability variable (Y) has a minimum value of -8.57, a maximum value of 62.28 and a mean value of 10.3793 with a standard deviation of 0.423. This shows that the average Return On Asset (ROA) of food and

beverage companies in Indonesia is 10.3793%. Second, the Cash Conversion Cycle (CCC) (X1) variable has a minimum value of 0.98, a maximum value of 386.29 and a mean value of 105.8695 with a standard deviation of 2.576. This shows that the average cash conversion cycle of food and beverage companies in Indonesia is 105 days. Third, the Account Receivable Period (ARP) variable (X2) has a minimum value of 0.94, a maximum value of 157.86 and a mean value of 51.4875 with a standard deviation of 2.263. This shows that the average period of collecting receivables from food and beverage companies in Indonesia is 51 days. Fourth, the Inventory Turnover Period (ITP) variable (X3) has a minimum value of 14.19, a maximum value of 350.57 and a mean value of 95.8274 with a standard deviation of 1.573. This shows that the average inventory turnover period for food and beverage companies in Indonesia is 95 days. The last is the Account Payable Period (APP) variable (X4) has a minimum value of 0.02, a maximum value of 203.14 and a mean value of 42.7654 with a standard deviation of 1.478. This shows that the average debt suspension period for food and beverage companies in Indonesia is 42 days.

Table 2 – Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA (Y)	108	-8.57	62.28	10.3793	0.423
CCC (X1)	108	.98	386.29	105.8695	2.576
ARP (X2)	108	.94	157.86	51.4875	2.263
ITP (X3)	108	14.19	350.57	95.8274	1.573
APP (X4)	108	.02	203.14	42.7654	1,478
Valid N (listwise)	108				

Source: Data processed, 2020.

Table 3 – Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.473	2.738		3.175	.002
	CCC (X1)	.237	.458	.854	.387	.002
	ARP (X2)	.249	.456	.348	.288	.771
	ITP (X3)	.253	.458	.795	.386	.003
	APP (X4)	-.117	.460	-.328	-.254	.001

Source: Data processed, 2020.

Estimation regression:

$$Y = 8,473 + 0,237\ X_1 + 0,249\ X_2 + 0,253\ X_3 – 0,117\ X_4 + e_1$$

Where: Y = *Profitability*; X1 = *Cash Convention Cycle*; X2 = *Account Receiveable Period*; X3 = *Invetory Turnover Period*; X4 = *Account Payable Period*.

The regression equation provides information on which direction and how much influence each exogenous variable has on endogenous variables as follows, first the coefficient of the Cash Convention Cycle variable is 0.237, which means that if the Cash Convention Cycle has increased by 1 time, then Profitability will increase by 0.237%.Koefisien variabel *Account Receiveable Period* adalah sebesar 0,249, means that if the Account Receivable Period increases by 1 time, then Profitability will increase by 0.249%. Second, the coefficient of the Inventory Turnover Period variable is 0.253, which means that if the Inventory Turnover Period has increased by 1 time, then Profitability will increase by 0.253%. Third, the coefficient of the Account Payable Period variable is -0.117, which means that if the Account Payable Period decreases by 1 time, then Profitability will increase by 0.117%.

Simultaneous significance test shows the ability of exogenous variables to simultaneously influence endogenous variables, this test can be said to be a model feasibility test. Simultaneous significance test can be accepted if the significance value at the

calculated F value is smaller than the significance level (α), namely: 0.05.

Tabel 4 – F Test Results

F Value Count	Significance of F Count
6,557	0,018

Source: Data processed, 2020.

In Table 4, it can be seen that the calculated F value is 6.557, where the significance value of 0.018 is smaller than the value of the significance level (α), namely: 0.05. The results above show that the Cash Convention Cycle, Account Receiveable Period, Inventory Turnover Period, and Account Payable Period can simultaneously have a significant effect on profitability.

Effect of Cash Conversion Cycle (CCC) on Profitability of Food and Beverage Companies

The results of this study indicate that the Cash Conversion Cycle has a positive effect on the profitability of food and beverage companies listed on the Indonesia Stock Exchange. This means that the faster or shorter the cash conversion cycle, the higher the profitability of food and beverage companies. The shorter the cash conversion cycle, it can be said that the company's performance is good, the cash tied up in working capital is managed effectively and efficiently so that the profits to be obtained by the company are getting bigger because the time period for cash to turn into cash back is short. If the cash conversion cycle is high, this indicates that the period of attachment of funds is relatively long, it can reduce the company's cash availability which can lead to the company's inability to fund daily operational needs, the production process is hampered and ultimately the production capacity also decreases and the company's profitability can decrease. In accordance with Du Pont's theory, namely changes in profit are influenced by changes in asset turnover, the faster the development of assets means the more effective the company, then the profits will increase. The shorter the company's cash conversion cycle, the better the management in managing the company's working capital. The smaller the value of the cash conversion cycle means the smaller the value of the company's investment in working capital. The cash conversion cycle is a combination of the accounts receivable conversion period, the inventory turnover period, and the debt deferral period. According to Brigham and Houston (2014), the cash conversion cycle can be shortened by three option, the first, by reducing the inventory conversion period by processing and selling goods faster. Second, by reducing the period of receipt of receivables by speeding up collection, and the last by extending the debt suspension period by slowing down the payments made. The results of this study support the research of Raheman (2010), Agha (2014), and Muscettola (2014) which prove that the size of the Cash Conversion Cycle has a positive effect on company profitability.

Effect of Account Receivable Period (ARP) on Profitability of Food and Beverage Companies

The results showed that the Account Receivable Period (ARP) or the conversion period of trade receivables had a positive effect on the company's profitability. This means that the faster or shorter the receivable conversion period, the higher the profitability of food and beverage companies. Receivables are an element of working capital that is always in a state of rotation. Accounts receivable conversion period is the average time it takes to convert a company's receivables into cash, that is, to receive cash after it becomes a sale. Accounts receivable management is very important for companies that sell their products on credit. Receivables management mainly concerns the issue of controlling the distribution and collection of receivables, and evaluating the credit policy run by the company (Riyanto, 2001).

The level of accounts receivable period can describe the level of effectiveness of a company. The faster the rate of receivables period, the more effective the working capital

invested in receivables will be. The turnover period or the period when the capital is tied up in receivables is dependent on the terms of payment. The softer or longer the terms of payment, the longer the capital is tied to receivables, which means that the turnover rate during a certain period is lower or slower (Riyanto, 2001). So it is important to compare the average days of collection of receivables with the payment terms set by the company. If the average day of collection of receivables is always greater than the predetermined time limit, it means that the method of collecting receivables is less efficient. This means that many customers do not meet the payment terms that the company has set. The high and low receivebles turnover has a direct effect on the size of the capital invested in receivables. The higher the turnover, the faster the turnover, which means the shorter the time the capital is tied up in receivables, so to maintain certain net credit sales, with the increase in turnover, a small amount of capital is needed to be invested in receivables (Riyanto, 2001). According to Abbas (1990), the objectives of investing in receivables are as follows: first, to increase sales. Companies that sell their goods on credit will be able to sell more goods than companies that demand cash payments. Secod, to increase profits. Investment in receivables is expected to increase sales, higher sales are expected to increase profits for the company. Third, to meet the requirements of competition. When other similar companies sell their goods on credit, the company must also adopt a similar policy to be able to compete with other companies. Otherwise, customers will make purchases at companies that have lighter payment policies. The results of this study support the research of Mensah (2014) who obtained research results which showed that the average collection of receivables proxied by the Account Receiveable Period (ARP) had a positive effect on profitability. Similar results were obtained by Makori (2013).

Effect of Inventory Turnover Period (ITP) on Profitability of Food and Beverage Companies

The results showed that the Inventory Turnover Period (ITP) had a positive effect on the profitability of food and beverage companies. This is because in each period of product inventory owned by food and beverage companies have a fast and smooth turnover, thus the rapid turnover period of existing product inventories causes a high increase in profitability as well. Inventory period that spans a long time for companies engaged in the food and beverage sector contains an increasing risk of product damage. So ideally for products that are included in the Fast Moving Consumering Goods (FMCG) category, the value of the inventory period is as small as possible or in other words the inventory period that must be applied is a short-term inventory period. This short-term inventory period is intended to reduce the risk of product damage and also increase profits if the company's cash flow is smooth in the short term. The results of this study support the research conducted by Gachira (2014) and Francis (2017) supporting the research of Mbawuni (2016) by obtaining the same research results.

Effect of Account Payable Period (APP) on Profitability of Food and Beverage Companies

According to Brigham and Houston (2011) the period of accounts payable is the average time required to purchase raw materials and labor and their payments. The larger or longer the debt payment, the company may deliberately extend the length of payment to get various benefits first. Based on the results of the study, it shows that the Account Payable Period (APP) or the period of trade payables has a negative effect on the profitability of Food and Beverage companies. This is because the shorter or faster the accounts payable period, the lower the company's profitability. On the other hand, the longer the period of accounts payable, the higher the company's profitability. The longer the period of accounts payable, the company will have the opportunity to increase its production capacity which is expected to generate profits. In addition, the longer the period of accounts payable, the company can delay cash outflows to purchase raw materials, labor, and other working capital needs. The results of this study support the research of Marco (2014) and Haitham (2014) who found that the average period of debt repayment has a negative effect on profitability.

CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter, it can be concluded as follows first, the Cash Conversion Cycle (CCC) has a positive effect on the profitability of food and beverage companies listed on the Indonesia Stock Exchange. The faster or shorter the cash conversion cycle, the higher the profitability of the food and beverage company. Second, Account Receivable Period (ARP) has a positive effect on company profitability. The faster or shorter the receivable conversion period, the higher the profitability of food and beverage companies. Third, Inventory Turnover Period (ITP) has a positive effect on the profitability of Food and Beverage companies. The rapid period of inventory turnover of existing products causes a high increase in profitability as well. The last, Account Payable Period (APP) has a negative effect on the profitability of Food and Beverage companies. The shorter or faster the accounts payable period, the lower the company's profitability.

Based on the discussion of the research results and the conclusions drawn, several suggestions can be made, as follows first for Food and beverage companies can increase their profitability by managing working capital management effectively and efficiently. The more effective and efficient working capital management is, the profitability of food and beverage companies will also increase. Time is important in working capital management. Setting the length and short time of the Cash Converstion Cycle (CCC), Account Receivable Period (ARP), Inventory Turnover Period (ITP), and Account Payable Period (APP) is very important in increasing the profitability of a company. The last for further research, the sample used in this study is only in food and beverage companies listed on the Indonesia Stock Exchange so that they have not been able to present the effect of working capital management on overall profitability to other companies. Further research can use all companies on the Indonesia Stock Exchange so that the results of the study are able to describe the effect of working capital management on overall profitability of all companies in Indonesia.

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