

CHAPTER V

CONCLUSION

5.1 Research Conclusion

Based on the result, the conclusions of the relationship between working capital management and profitability on the manufacturing companies in Indonesia Stock Exchange from year 2012-2014, are as follows:

1. There is a significant relationship between average collection period and profitability
2. There is an insignificant relationship between Inventory turnover in Days and profitability
3. There is an insignificant relationship between average payment period and profitability
4. There is an insignificant relationship between effective working capital management that cash conversion cycle is its evaluating criterion and profitability,

5.2 Research Limitation and Suggestion

Based on the R^2 results, each of the variable from the hypothesis, the results are 20.51% for average collection period, 17.18% for Inventory turnover in Days, 17.67% for average payment period and 17.19% for effective working capital management that cash conversion cycle is its evaluating criterion. The other factors of 79.49%, 82.82%, 82.33%, and 82.81% respectively are influenced by other factors to the profitability which are not included in the regression model.

Also, the period used is short term, which is 3 years, that is because the previous year of financial statements is incomplete & inconsistent.

Because this research only uses one measure to measure the profitability and degree of aggressiveness of working capital policy while there are a lot of measurement of profitability such as ROA, ROE, NOP, ROI, and etc. Also, the degree of aggressiveness of the working capital policy (Current Ratio). More research can be carried out by considering different measures of profitability and degree of aggressiveness of working capital policy in order to explore the relationship between working capital policy and profitability of the firm. Results can differ from this study by the use of different measures of profitability and degree of aggressiveness of working capital policy. Also, the empirical studies focused on the accounting measures of profitability. Research can be repeated by considering the performance measures of profitability for example by using economic value added, market value added etc. The longer the study of the working capital, the more reliable information that will provided.

