

ABSTRACT

This study aims to examine the effect of working capital management on the profitability of Food and Beverage companies listed on the Indonesia Stock Exchange during 2022-2025. Working capital management is proxied by the Cash Conversion Cycle (CCC), while profitability is measured using Return on Assets (ROA). The study also includes the squared Cash Conversion Cycle (CCC²) to examine the possibility of a nonlinear inverted U-shaped relationship between CCC and profitability. The control variables consist of financial leverage (LEV), firm size (SIZE), tangibility ratio (TANG), and cash flow ratio (CF). The sample consists of 40 companies with a total of 160 firm-year observations selected using a purposive sampling method. The data were obtained from Bloomberg and analyzed using panel data regression. Based on the model selection results, the study employs a Fixed Effect Model (FEM) with cluster-robust standard errors.

The results show that CCC does not have a significant effect on ROA. Although CCC and CCC² are jointly significant in the model, neither variable is individually significant. In addition, the negative coefficient of CCC and the positive coefficient of CCC² do not support the proposed inverted U-shaped relationship. Therefore, the study does not find sufficient empirical evidence to support a nonlinear inverted U-shaped relationship between CCC and profitability. Among the control variables, SIZE and CF have a positive and significant relationship with ROA, while LEV and TANG do not show a significant relationship.

Keywords: working capital management, Cash Conversion Cycle, profitability, Return on Assets, nonlinear relationship.

