
Company's Efficiency and Its Impact on Performance: A Study on State Owned Non-Financial Company Listed on Indonesian Stock Exchange

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Abstract:

The Indonesian government encourages state-owned companies (BUMN) to be listed on the Indonesia Stock Exchange and perform well. A Company's operating policy is expected to affect company performance. One approach to detect the company's operating policy is through the management of working capital. This study aims to examine the working capital management of non-financial BUMN companies and their impact on the efficiency of the company. In addition, we want to find empirical evidence that efficiency will affect company performance. The study used three independent variables which are days in inventory, days in receivables, and days in payables. The dependent variable is firm performance, as measured by its profitability. Company efficiency is an intervening variable. The results found that the profitability of non-financial BUMN is influenced by its profitability from the previous period. Similarly, the working capital efficiency measured by the cash conversion cycle is significantly influenced by the previous period's cash conversion cycle, and is not significantly affected by the working capital component. There is not enough evidence that working capital efficiency, as an intervening variable, has a significant effect on profitability.

Keywords: Days inventory, days receivables, days payables, cash conversion cycle, profitability.

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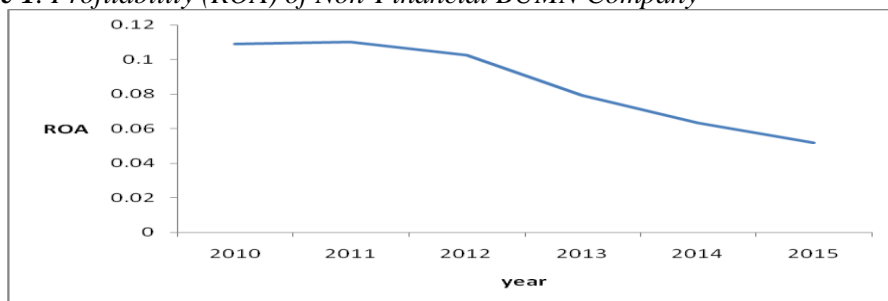
1. Introduction

Law Number 19 Year 2003 states that State-Owned Enterprises (BUMN) are business entities owned or largely owned by the state (government) through direct participation as separated state assets. BUMN are engaged in financial and non-financial areas. Since 2001, all BUMN have been coordinated by the Ministry of BUMN. The ministry is headed by a state minister. Furthermore, in order to improve the performance of BUMN, more BUMN companies are listed on the stock exchange. In 2017 there are twenty state-owned companies listed on the Indonesia Stock Exchange (BEI). PT Semen Batu Raja (SMBR) is the 20th BUMN listing its shares in IDX and is the 472th of all listed companies in BEI in 2013.

Every business entity aims to achieve a good performance. Performance is a description of the achievements accomplished by the company in its operational activities concerning the financial area, marketing, collection and distribution of funds, technological, as well as human resources (Jumingan, 2006). The indicators of good performers are adequacy of capital, liquidity, and profitability. McCabe (2011) also mentions that the company's profitability is the most essential and reliable indicator of the company's financial performance.

Profitability is a company's ability to generate profits. Figure-1 below shows that in the period 2010-2015, the profitability as measured by ROA of non-financial BUMN companies experienced a downward trend return on assets. In other words, on average, non-financial BUMN in this period experienced a decrease in performance.

Figure 1. Profitability (ROA) of Non-Financial BUMN Company



In order to achieve high profitability, management needs to manage well all of its resources. It involves strategic decisions making that management needs to undertake, especially in short-term management or operational management. Operational fund management becomes an important area that needs attention from management. Ross *et al.* (2016) state that one of the three main areas of corporate managers is to take an operating decision known as day to day operation. Particularly, managing working capital. Mistakes in managing working capital can result in the business being hampered or stalled.

The ability to manage working capital by maximising current assets and current liabilities could increase profit performance in for the company. Working capital management includes management of inventories, cash, accounts receivable, and trade payables whose purpose is to achieve the right balance between profit and risk. Properly designed and implemented capital management will contribute positively to the value creation of a company (Zariyawati *et al.*, 2009; Afza and Nazir, 2007). To maximize profits or minimize the cost of working capital or to maintain optimum balance of liquidity and profitability, it is necessary to manage working capital optimally (Padachi, 2006). Ali and Ali (2012) also conclude that efficient management and sufficient amount of working capital will improve the profitability of the company.

The efficiency of working capital is the accuracy in the way something is managed that does not waste time, energy, and cost. The usefulness related to the use of working capital is to make sure that working capital is not in shortage (Handoko, 2008). To be able to determine the amount of efficient working capital, working capital this needs to be measure. Inventory and credit to customers are a component of working capital. Both of these can affect profitability through increased sales, and it can also have the opposite effect because the cost will be tied to the working capital component. Another working capital component is accounts payable, this component does not consume resources. Accounts payable is often used as a short-term financial source that can help companies reduce their cash operating cycle (Padachi, 2006). The cash conversion cycle (CCC) is one of several measures of management effectiveness. CCC is used for working capital management proxies where short cycles indicate effective management (Naser *et al.*, 2013). CCC is a combination of several activity ratios involving receivables (accounts receivables / AR), accounts payable (AP), and inventory. This ratio shows how efficient management uses short-term assets and liabilities to creat profit. This allows investors to measure the overall health of the company (Mueller, 2014).

Syarief and Wilujeng's (2009) study found no significant empirical evidence regarding the relation of cash conversion cycle on profitability of the manufacturing industry in Indonesia. While Dong and Su (2010) in Vietnam, Vural et al, 2012 in Turkey, Malik and Bukhari (2014) in Pakistan, and Yazdanfar and Ohman (2014) in Sweden found a significant effect of cash conversion cycle on profitability. This study aims to obtain empirical evidence on the non-financial BUMN listed on the BEI on 1) working capital conditions between 2010-2016; 2) the influence of the elements of working capital on the efficiency of the company; and 3) the effect of efficiency on the profitability of the company.

2. Literature Review

Investors who invest in capital markets will invest in companies that perform well. Asymmetry information theory, as stated by Myers and Majluf (1984), mentions that there is an inequality of information between management companies and

investors outside the company. In order to obtain more complete information, investors and potential investors will look for various sources of information. One source of information regarding the condition of the company is the Financial Statements. The signaling theory suggests how a company should signal the users of financial statements. This signals information about what has been done by the management to fulfill the owners' expectation. Through financial statements, investors as owners are informed of the company's condition.

Profitability: Good or bad condition of a company is signalled by its financial performance. One of the financial condition that gives a signal about the company's performance is the ability of the company to generate profit.

According to Riyanto (2011) profitability describes the ability of companies to earn profits through all the capabilities and existing sources such as sales, cash, capital, number of employees, and number of branches. Brigham and Daves (2010) stated that profitability is the end result of a number of policies and decisions made by the company. Husnan and Pudjiastuti (2007) stated that the success of the company can be measured from its profitability. According Husnan (2012) investors or potential investors will be interested in the size of profitability because it is part of the total profits which are allocated to shareholders.

There are various ratio measuring profitability of a company. According to Sawir (2005), profitability measurement consists of Gross Profit Margin (GPM), Net Profit Margin (NPM), Earning Power (EP), Return On Equity (ROE) and Return on Assets (ROA). ROA is an indicator of how the company could generate profits based on assets owned. ROA provides an indication of how efficient management uses its assets to generate revenue.

Working Capital is the difference between current assets and current liabilities. There are variations in the calculation of working capital. Variations are included in terms of handling short-term debt. In addition, current assets may include or exclude cash and cash equivalents, depending on the company. Working capital is the entire current asset that can be used as cash owned by the company, or funds available to finance the day-to-day operations of the company (Sawir, 2005).

Cash conversion cycle (CCC) is one measure of management effectiveness. CCC measures how fast a company can convert to cash immediately. CCC is a combination of several activity ratios involving accounts receivable (AR), accounts payable (AP), and inventory. AR and inventories are short-term assets, while the AP is a short-term liability. This ratio shows management efficiency in using short-term assets and liabilities to generate cash. This allows investors to measure the overall health of the company (Mueller, 2014).

According to Riyanto (2011), the amount of working capital depends on two factors, which are the turnover period or the period of working capital and the

average cash expenditure on a daily basis. The period of working capital turnover is the total or the amount of the period covering the credit period, storage of raw materials in the warehouse, the production process, the goods stored in the warehouse, and the period of receipt of receivables.

The period between expenditure to buy raw materials and collection of sales after the finished product can not be avoided. Working capital management requires short-term decisions in working capital and all aspects of corporate funding, both on assets and liabilities (Mohamad and Mohd Saad, 2010). The main objective of working capital management is to ensure that the company has the capability to continue operations with sufficient cash to pay short-term debts maturing as well as other operational expenses. The type and amount of capital management component work varies during the operating cycle. Therefore the efficiency of working capital management is measured in terms of "days of working capital" (Ganesan, 2007). To measure the company's liquidity cash conversion efficiency (CCE) and current ratio can be used. CCE is cash flow generated from operating activities relative to sales.

According to Muscettola (2014) generally cash management is based on the cash conversion cycle. CCC is considered an important factor that determines the performance of the company. Company efficiency is calculated from how efficient the company is paying bills, collecting accounts, and selling supplies. Vahid *et al.* (2012) in Iran explain that the increase in collection period, payment period, and net trading will reduce the profitability of the company. Therefore, managers can increase the profitability of the company by decreasing collection period, inventory turnover, and payment period.

Previous research: Several previous studies on working capital and its impact on corporate performance have been quite extensive. Hapsari (2012) examines the effect of working capital management on the profitability of manufacturing companies in BEI. Results showed that the working capital turnover did not have a significant effect, while Rahma (2011) found that cash flow was positively and significantly related to profitability, working capital turnover had a negative and significant effect on profitability, while inventory turnover had no significant effect on profitability. This study uses ROI as a measure of profitability.

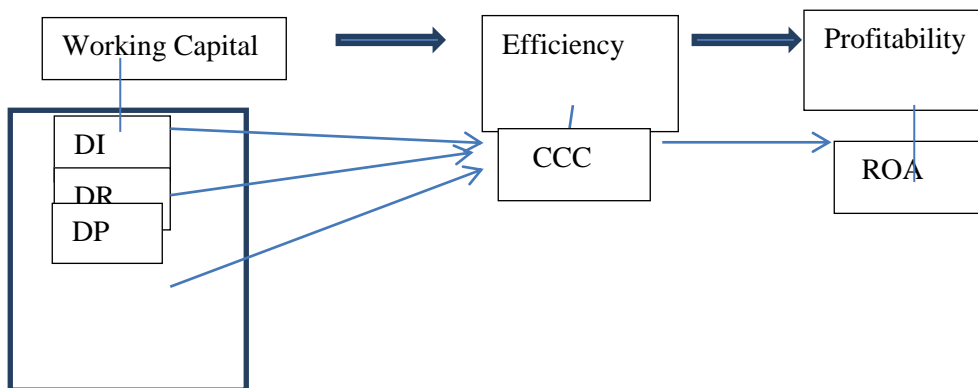
Vahid *et al.* (2012) in Iran concluded that there is not enough evidence on the relationship between cash conversion cycle and firm performance. In the research, the company's performance is measured by NOP (Net Operating Profitability). While Zariyawati *et al.* (2009) in Malaysia, Dong and Su (2010) in Vietnam, and Murugesu (2013) in Sri Lanka found that there is a negative and strong relationship between cash conversion cycle and profitability. In contrast to previous research results, Malik and Bukhari (2014) found that the cash conversion cycle has a positive and significant impact on the profitability of cement, chemical and engineering companies in Pakistan. Proxy of profitability in this research is return

on equity. Referring to the background of the problems and objectives of the study, a research framework was developed (Figure 1). Working capital as measured by days in inventories (DI), days in receivables (DR), and days in payables (DP) affects company efficiency. Company efficiency is measured by cash conversion cycle (CCC). Furthermore, company efficiency will affect profitability. Thus, CCC is supposed to be an intervening variable, which mediates the relationship between working capital and profitability.

In accordance with the framework in Figure 1, and referring to the concept referred to in the preceding section, the premises and hypotheses of this study are prepared. A small number of days of sales in inventory (DI) indicate that firms are more efficient at selling inventories, while a large number of days of sales indicate that perhaps the company has invested too much in inventory, and may even have obsolete inventory at hand. The shorter the day it takes to sell the inventory or the smaller the company's investment in inventory, shows the more efficient management of the company's working capital. The hypothesis of the research is:

H1: DI has negative affect on the efficiency of working capital.

Figure 1. Research Framework



Days receivable (DR) are the number of days needed to collect customer invoices. The faster (the shorter the number of days it takes) it is to collect the customer's receivables, the faster the receivables are converted to cash and the more efficient the management of the company's working capital. Other hypotheses are:

*H2: DR has a negative effect on the efficiency of the company's working capital
Days payable (DP) measure the number of days a company takes to pay the supplier. The longer time spent on paying a supplier, the more efficient the company will be in its cash management.*

H3: DP has a positive effect on the efficiency of working capital. Companies that have high efficiency will have the ability to generate better profit than companies with low efficiency.

H4: CCC has a positive effect on the profitability.

3. Research Methods

This research is a quantitative research and aimed to find empirical evidence of suspected causality of independent variables on dependent variable. An explanation of the influence of independent variables on the dependent variable will be empirical evidence on the allegations of researchers on the phenomenon of problems that have been submitted in the previous section. Regression model is used for the empirical part of the article.

The variables in this study can be identified as follows: profitability is the dependent variable. Profitability (Y) in this study is measured by Return on Assets (ROA). ROA links the profits derived from the company's operations by the amount of investment or assets used to generate the operating profit. Measurements shall be made at the end of each year and expressed in percent as:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

There are three independent variables in this study, Days Inventory or DI (X1), Days Receivables or DR (X2), and Days Payables or DP (X3).

Days Inventory (X1): Days inventory is the number of days it takes to turn inventory into cash. This variable is measured by comparing the yearly inventory and the average cost of sales per day as:

$$DI = \frac{\text{Inventories}}{(\text{Cost of Sales} / 365)}$$

Days Receivable (X2): Days receivable is the number of days a company needs to collect its accounts receivable. This variable is measured by comparing between accounts receivable per year and average sales per day as:

$$DR = \frac{\text{Account Receivables}}{(\text{Net Sales} / 365)}$$

Days Payable (X3): Days payable is the number of days given by a lender to the company paying off its debt. This variable is measured by comparing the annual trade payables with the average cost of sales per day.

$$DP = \frac{\text{Account Payables}}{(\text{Cost of Sales} / 365)}$$

Intervening variables in this study are the efficiency of working capital that is extended with Cash Conversion Cycle or CCC (Z). CCC is measured by connecting net cash flow from operations with sales revenue. CCC measures the time spent (how many days) by a company in converting its revenue into cash as:

$$\begin{aligned} \text{NCFFOA} &= \text{EBIT} + \text{D} - \text{T} \\ \text{CCC} &= \text{NCFFOA}/(\text{SR}/365) \end{aligned}$$

where: NCFFOA = net cash flow from operating asset; EBIT= earning before interest and taxes; D = depreciation; T = tax; CCC= cash conversion cycle; SR = sales revenue.

Table 1. Population and Sample Research

No	Criteria	Number of Issuers
1	State-owned Enterprise Tbk per year 2017	20
2	Non-financial company	16
3	Listed on IDX during 2010-2016	13
4	Available access on financial Statements	13
5	Company manages the elements of working capital	12
Total sample		12

The research population is all BUMN companies listed on BEI in 2016. Causality research used a statistical approach to be able to find the effect of free variables on the dependent variable. The statistical approach requires a minimum number of observations so that the resulting conclusions are true. Therefore, observations were used for 7 (seven) years (2010-2016). Sampled companies are companies that have managed the main elements of working capital.

All research data is collected from the Company's Financial Statements. The financial statements used are the Audited Financial Statements for fiscal years between 2010 and 2016. The financial statements are obtained from the website www.idx.co.id. Research data was collected by documentation method. Appropriate design of causality research was done using regression model. The regression model used is as follows:

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \tag{1}$$

Where Z = Cash conversion cycle (CCC) ; X1 = Days in Inventory (DI); X2 = Days in Receivable (DR); X3 = Days in Payables (DP); β_0 = Coefficient; β_1 , β_2 , β_3 = Regressing Coefficients; e = Residual

$$Y = \gamma_0 + \gamma_1 Z + e \tag{2}$$

Where Y = Profitability (ROA); γ_0 = Coefficient; γ_1 = Regression Coefficient; Z = CCC; e = residual

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \quad (3)$$

SPSS is used for data processing since the model needs to prove the role of CCC as an intervening variable. The research hypothesis is tested by using the regression model and testing the partial influence of each independent variable. The regression model test is intended to test the effect of all independent variables simultaneously and to get the appropriate regression model. After the regression model is confirmed accordingly, the influence of partial independent variables is observed on the dependent variable.

Multiple linear regression model is tested by F test, comparing F_{count} with F_{table} or based on significance value. If the probability value < 0.05 then the model is significant (appropriate). Model capability explains the problem phenomenon seen from the coefficient of determination (R^2).

Testing the influence of the independent variables (partially) is applied using t test. Significant influence is seen from the value of regression coefficient (β_i). If $\beta \neq 0$ this means the independent variable has an effect on the dependent variable. Furthermore, it should be ensured that the effect is significant. If the value of significance is below the tolerable error rate then H_0 is rejected and H_a accepted. It can be concluded that the independent variable has significant effect on the dependent variable. The effect of working capital efficiency (CCC) on profitability was tested by simple linear regression approach. The regression equation used is as in equation (2).

4. Research Result and Discussion

As early as 2016 there were twenty state-owned companies listed on the BEI. Referring to the sampling criteria, there are 13 eligible companies. PT Jasa Marga (Persero) Tbk, does not meet the criteria since the company did not maintain any inventory. Therefore, the study was conducted with a sample of 12 listed state-owned enterprises.

Statistical description of the variables studied is presented in Table 2. The average value of the performance of listed state-owned enterprises measured by the concept of profitability through ROA size, yielded a value of 0.0933. This means that for every thousand rupiah assets owned by listed state-owned enterprises, the company is able to generate a net profit of 93.30 dollars.

Table 2. *Descriptive Statistics of Research Variables*

	Minimum	Maximum	Mean
ROA	-0.0419	0.2682	0.0824
CCC	0,22	240,56	47,26
DI	0,35	167,57	51,50

DR	1,17	245,96	69,42
DP	8,40	307,18	92,58

The maximum ROA value is 0.2682. This value was achieved by PT Tambang Batubara Bukit Asam (PTBA) in 2012. PTBA recorded a 21% increase in sales in 2012 compared to 2011 despite the decrease of coal commodity prices. Sales volume increased from 13.47 million tonnes of coal in 2011 to 16.28 million tonnes in 2012. The minimum ROA value is -0.0418. The negative ROA indicates the company is suffering a loss. This condition is experienced by PT Indofarma (INAF) in 2013. Throughout the year 2013, INAF engaged in pharmaceuticals and suffered losses of up to Rp. 54.22 billion. One of the elements causing the loss is the increase in the value of the previous cost of sales of Rp788 billion in 2012 to Rp 999 billion or an increase of 26.86% in 2013. The other element significantly causes losses is the increase of the operating expenses. Sales expense increased 26% from Rp.159.82 billion to Rp201.39 billion, and general expenses also increased by 26% from Rp. 119.48 billion to 150.88 billion. On the other hand, in the previous year INAF was still able to generate other income of Rp5.28 billion, while in 2013 suffered a loss of 17.59 billion. Although the company's sales are not encouraging, the company still recorded an increase in asset value to Rp1.29 trillion, which previously was Rp. 1.18 trillion.

The average value of CCC listed in BUMN is 47.26. This means the average cash cycle takes 47 days. The maximum value of CCC is 240.55. This value was achieved by PT Krakatau Steel Tbk (KRAS) in 2015. The minimum value of CCC is 0.22 experienced by INAF in 2014. The average value of inventory management (DI) of listed BUMN is 51.50 This means that the average inventory cycle is 51.50 days. The maximum value of DI is 167, experienced by TINS in 2014. The minimum value of DI is 0.34, experienced by PGAS in 2012. The average value of the management of trade receivables (DR) of listed BUMN is 69.42, which means the average trade receivables can be converted into cash in about 70 days. The maximum value of DR is 245.9, achieved by ADHI in 2014. The minimum value of DR is 1.17 days, experienced by PT Wijaya Karya Tbk (WIKA) in 2014.

The average value of debt management of listed BUMN is 92.59. This means that on average, the trade payable is about 93 days. The maximum DP value is 307.18 experienced by ADHI in 2016. The minimum DP value is 8.4 experienced by PTBA in 2012.

Table 3. *Result of Testing Influence of Working Capital Management Component to Efficiency of Listed BUMN*

Variabel	Model-1		Model-2		Model-3	
	Koef. Reg	sign	Koef. Reg	sign	Koef. Reg	sign
DI	-0,058	0,644			-0,045	0,513
DR	0,082	0,612			-0,069	0,426

DP	-0,217	0,207			-0,052	0,585
CCC			0,085	0,199		
ROAt_1			0,832	0,000	0,803	0,000
CCCt_1	0,326	0,019				
R-square	18,1%		76,40%		76,7%	
F-count	3,699	0,000	111,761	0,000	25,962	0,000
DW	1,965		2,227		1,965	

The three regression equations prepared for hypothesis testing show that a signal of autocorrelation exists. Therefore, in each research model new independent variables are added, namely the dependent variable in the previous period. Referring to the results of data processing presented in Table 3, results obtained after adding new independent variables, the regression model is fit and meets the classical assumption. The value of F count is significant at $\alpha = 1\%$.

Model 1 yields an R-square value of 18.1% indicating that together DI, DR, DP, and CCC of the previous period were able to explain the 18.1% variability of the cash conversion cycle. There are still 81.9% relating to other factors that affect the company's cash cycle. The regression equation of Model 1 is as follows:

$$CCC = -0,058 DI + 0,082 DR - 0,217 DP + 0,326 CCC_{t-1}$$

(0,644) (0,612) (0,207) (0,019)

Inventory management and accounts payable have a negative but insignificant effect on the cash conversion cycle. Accounts receivable management has a positive but insignificant effect on the cash conversion cycle. The CCC of the previous period has a positive and significant effect on the CCC of the current year. The CCCt-1 regression coefficient of 0.326 indicates that if in the previous year CCC increased by 1%, then the CCC of the current year will increase by 0.326%

Model 2 shows the effect of the cash cycle on the company's ability to generate profit (ROA). R-square value of 76.4% indicates that together CCC and ROA of previous periods are able to explain 76.4% ROA variability. There are still 23.6% relating to other factors that affect ROA. The regression equation of Model 2 is as follows:

$$ROA = 0,085 CCC + 0,832 ROA_{t-1}$$

(0,199) (0,000)

CCC has a positive but not significant effect on profitability. The profitability of the current year is affected by the profitability of the previous year (positively and significantly), and not by the efficiency of working capital. The ROAt-1 regression coefficient of 0.832 indicates that if in the previous year profit increased by 1%,

then the profit of the current year will increase by 0.832%. These findings suggest that CCC does not act as an intervening variable.

Without working capital efficiency, the direct impact of working capital component (DI, DR, DP) on profitability is negative but not significant. Model-3 shows the profitability of the current year affected by profitability of the previous year. The R-square value of 76.7% indicates that together DI, DR, DP, and ROA of the previous period were able to explain 76.7% of ROA variability. There are still 23.3% relating to other factors that affect ROA. The regression equation of Model-3 is as follows:

$$\text{ROA} = -0,045 \text{ DI} - 0,069 \text{ DR} - 0,052 \text{ DP} + 0,803 \text{ROA}_{t-1}$$

(0,513) (0,426) (0,585) (0,000)

The profitability of the current year is affected by the profitability of the previous year, not by the management of the working capital component. The value of the regression coefficient ROAt-1 0.803 indicates that if the previous year's profit increased by 1%, then the profit of the current year will increase by 0.803%.

The results of this study indicate that the profitability of listed non-financial BUMN is significantly influenced by the previous year profitability. The findings have a positive but not significant influence of CCC which does not support Malik and Bukhari's (2014) findings. Malik and Bukhari found a positive and significant CCC effect on profitability.

The findings of this study are also inconsistent with the results of Dong and Su (2010), Murugesu (2013), and Yazdanfar and Ohman (2014). They found the longer the cash conversion cycle (meaning the lower the cash conversion efficiency), the smaller the profitability. The results of this study are in line with the findings of Vahid et al (2012) in Iran who concluded there is not enough evidence of the relationship between cash conversion cycle and firm performance. In the research, the company's performance is measured by NOP (Net Operating Profitability).

The working capital component (DI, DR, and DP) has a positive but insignificant effect on the company's cash cycle. The results of this study are not in line with Garcia-Terual and Solano (2007). The researcher explains that the amount the company invests in inventory, the ability to collect receivables, and the ability of the company to buy raw materials by way of credit from suppliers will accelerate the company's cash cycle. Garcia-Terual and Solano's research was conducted on small and medium-sized businesses in Spain.

The negative but insignificant DI influence of the CCC is inconsistent with the theory of provision. Similarly, DR was found to have a positive but not significant effect on CCC. The credit policy of non-financial SOEs is not significantly

affecting the efficiency of the company. Likewise, the company's policy of taking on business debt also does not affect the efficiency of the company.

The components of working capital were found to have a negative but not significant impact on profitability. The findings of this study are not in line with the research results of Rahma (2011), Taani (2012), and Mahanavanont and Jiang (2013). These early researchers found a positive effect for days in inventory but not significant on profitability. The findings of this study also differ from those of Raheman and Nasr (2007), Dong and Su (2010), Raheman *et al.* (2010), Vahid *et al.* (2012), Shubita (2013) and Wasuuzzaman (2015).

The last mentioned researchers found that inventory had a negative and significant effect on the profitability of the company. The results of this study are also different from Mathuva (2010) who found inventory has a positive and significant impact on profitability. Mathuva researched companies listed on the Kenyan stock exchange. The result of this research is that the effect of days in inventory is negative but not significant to profitability similar to Malik and Bukhari (2014).

The results of this study indicate that days receivables have a negative and but not a significant effect on profitability. The credit policy taken by the company does not affect the company's ability to generate profits. This finding is inconsistent with results by Raheman and Nasr (2007), Mathuva (2010), Dong and Su (2010), Vahid *et al.* (2012), and Mahanavanont and Jiang (2013). The results of this study are in line with the research results of Raheman *et al.* (2010) who found that receivables have a negative but not significant effect on the profitability of manufacturing companies in Pakistan. They use net operating profit as a measure of profitability.

The influence of days payable (DP) in this study is negative but not significant to profitability. The results of this study are in line with the results of Ray's (2012) study that examines manufacturing companies in India. This finding is not in line with the results of Raheman and Nasr (2007), Vahid *et al.* (2012), and Majeed *et al.* (2013) studies which found the effect of trade payables is negative and significant on profitability. Raheman and Nasr (2007) and Majeed *et al.* (2013) researched in Pakistan, while Vahid *et al.* (2012) researched companies in Iran. The findings of this study also differ from previous results from Mathuva (2010), Dong and Su (2010), and Mahanavanont and Jiang (2013). They found that accounts payable had a positive and significant effect on the profitability of the company.

The profitability of the previous period has a positive and significant effect on current year profitability of non-financial BUMN. The value of previous year's profitability regression coefficient is positive but less than one indicating that the increase in profitability in the next year will be lower than the previous year. This shows the company needs to manage well the use of its assets in order to generate higher net income. In addition, the financial statements show that some state-

owned Tbk companies are experiencing a loss in business, conduct an asset revaluation activities and managed to deliver the company a net profit in the end.

5. Conclusions and Recommendations

The results of this study indicate that the component of working capital has no significant effect on the efficiency of the company, and it also has no significant effect on profitability. Working capital efficiency is also found to have an insignificant effect on profitability. The ability of a company to generate profits is one of the key performance measures. Therefore, it is recommended that state-owned companies should maintain the management of their assets in order to be able to generate a better net profit, For higher ROA ratios and reduce unproductive assets.

Future researchers who will examine the factors affecting the performance of SOEs non-financial companies should add other independent variables (in addition to efficiency and management of working capital). Other variables that need to be added include funding policies (capital structure), investment policy, dividend policy, and earnings management.

Researchers who will examine the factors affecting the cash cycle of a non-financial BUMN company should also add other free variables such as cash ratio and investment in short-term securities. The regression model in this study can also be tested for companies in different groups (non-BUMN Tbk). Also in future research, research variables for the same concept can be applied using different measurements.

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