ABSTRACT

This study aims to provide empirical evidence of the effects and determinants of working capital management in manufacturing firms known as the backbone of the Indonesian economy. The results of the panel data analysis have proven that working capital management of manufacturing firms in Indonesia as measured by the cash conversion cycle has a positive effect on the firm's ability to generate profits and utilize assets which then impacts the firm's ability to grow sustainably (sustainable growth). While sales growth and economic growth are determinants of working capital management. However, there are differences in determinants when related to the context of size and age of the firm. Further, this study discusses working capital management policy orientation in terms of the characteristics of the top manager's gender. The results showed that female CFOs tend to adopt conservative working capital management investment policy. The policy orientation which placed large investments in current assets turned out to be able to generate higher profits. Overall this study strengthens the argument about the strategic role of working capital management. The ability of firm managers to manage working capital will determine the firm's ability to improve its performance through increase sales growth and to orientate on conservative working capital management policy.