

# A Study of Corporate Performance of Registered Wholesaler Sub-sector Companies in The Indonesia Stock Exchange

Ardani Asmadi<sup>1</sup>, Djoko Hanantijo<sup>2</sup>  
<sup>1,2</sup>Post Graduate Program in Management  
 Perbanas Institute, Jakarta, Indonesia

**Abstract:-** Currently, the problem of the company's ability to manage its working capital has an impact on the financial performance of trading companies. In working capital management so that there is an increase in profitability in terms of Return On Assets (ROA). Several factors that influence Return On Assets and are of concern include Net Trade Cycle (NTC), Average Collection Period (ACP). The existence of financial constraints, one of which is the Dividend Payout Ratio (DPR), is also a problem and needs to be considered in working capital management. The purpose of this study on registered wholesaler sub-sector companies on the Indonesia Stock Exchange is to investigate the effect of working capital management on company performance with the consideration of financial constraints. The research method in this study uses a quantitative approach. The main results in this study reveal that the Dividend Payout Ratio significantly moderates the effect of the Average Collection Period on Return On Assets. However, the Dividend Payout Ratio was unable to moderate the effect of the Net Trade Cycle on Return On Assets. Contributions from this study can provide insight and understanding for financial practitioners financial managers, finance directors and shareholders in managing the company's working capital, specifically in large trading sub-sector companies listed on the Indonesia Stock Exchange.

**Keywords:-** Average Collection Period (ACP); Dividend Payout Ratio (DPR); Net Trade Cycle (NTC); Return On Assets (ROA).

## I. INTRODUCTION

Nowadays, the success of a company's depends on the ability of management to identify and make use of investment opportunities ahead the company. Because the final productivity of company's capital investments that guarantee the survival and failure in today's competitive world[1]. Traditionally corporate finance literature has focused on the impact of long term assets (fixed assets) on corporate performance[2]. One of the most important issues in the daily running of the institutions, is working capital management. Working capital can be defined as all short-term assets used in the daily operations. Working capital becomes the flow of blood in the vessels of the enterprise to save the survival of the enterprise and management this part

claimed to be the heartbeat of an enterprise that pumps blood into the veins organization[3]. Working capital management is a very sensitive discipline in financial management since it involves total and composition of current assets and asset financing[4].

From Indonesia's economic growth data, according to the Indonesian Central Bureau of Statistics until 2018, it is known that economic growth was at the lowest position in 2015, namely around 4.79 percent. Furthermore, it started to increase but still very slow and reached 5.17 percent in 2018. The condition of slowing economic growth in Indonesia has had an impact on the domestic business climate. The impacts on the company's inability to compete affect the company's financial performance. Regarding the business sector that has experienced losses, among others, companies in the trading sector, so this affects the company's ability to gain access/financing facilities for both working capital and investment capital. Factors that affect the financial performance of trading companies include how the company's ability to manage working capital owned or more commonly known as working capital management.

One of the fundamental problems of financial management is working capital management and controlling current assets and liabilities[1]. Indonesia provides an interesting case study, as empirical studies were very rarely carried out in developing countries, including Indonesia[5]. Indonesia has the characteristics of an emerging market, with high economic growth over the past decade, along with the other three countries with the highest economic growth, namely China, India and Brazil. These conditions provide incentives to firms in Indonesia to grow more rapidly and to influence their short-term and long-term investment policies[6]. The real problem that occurs in the performance of companies in the sub-sector of wholesalers listed on the Indonesia Stock Exchange in the period 2014-2019 is related to how to make innovations in working capital management, which have an impact on company performance by considering financial constraints.

There have been several previous studies the effect of working capital management on the corporate performance of companies listed on stock exchanges in several countries. The study from Vahid et al. in 2012 and Kowsari & Shorvarzi in 2017 on the Tehran-Iran Stock Exchange. The Vahid et al.[3] research studies by using a multi regression

model showed that there is a negative and significant relationship between the variables of Average Collection Period and Net Trade Cycle, and the performance of firms listed in the Teheran Stock Exchange (TSE). Then, in 2017, the study from Kowsari & Shorvarzi[1], the results of their research show that Return On Assets is negatively affected by working capital management. On the Pakistan Stock Exchange, by Iqbal & Wang study[7] in 2018 have found a diverging effect of working capital management on the profitability of manufacturing firms of Pakistan. The results of Kaushik & Chauhan's research[8] in 2019 showed a significant negative relationship from the Net Trade Cycle to the financial performance of Indian companies on the Indian Stock Exchange. The studies in 2016 at Borsa İstanbul or the Turkey Stock Exchange by Soykan & Ulucak[9], indicated that there is a non-linear relationship between Net Trade Cycle and corporate performance.

Based on the considerations of these previous studies then the purpose of this study on registered wholesaler sub-sector companies on the Indonesia Stock Exchange is to investigate the effect of working capital management on company performance with the consideration of financial constraints.

The focus to be achieved in this research:

- (1) to examine whether Working Capital Management (NTC) has affected on Corporate Performance (ROA),
- (2) to examine whether Working Capital Management (ACP) has affected on Corporate Performance (ROA),
- (3) to identify whether Financial constraints (DPR) has a role in moderating Working Capital Management (NTC) for Corporate Performance (ROA),
- (4) to identify whether Financial constraints (DPR) has a role in moderating Working Capital Management (ACP) for Corporate Performance (ROA),

As a result, contributions from this study can provide insight and understanding for financial practitioners financial managers, finance directors and shareholders in managing the company's working capital, specifically in large trading sub-sector companies listed on the Indonesia Stock Exchange.

This research model using moderating variable that developed is the novelty of this study.

## II. LITERATURE REVIEW

### A. Corporate Performance

Corporate performance is the result of management activities. Corporate performance is simply the performance of the company and the effective and efficient management of the corporation, which leads them towards the achievement of company goals[10]. Corporate performance can be measured using variety indicators such as net income, operating profits, return on equity, return on assets, economic value added etc.[2]. Furthermore Murthy[2] stated that Return On Assets (ROA) defined as profit before tax divided by total assets. Return On Assets (ROA) is a superior measure compared to return on equity for the purpose of this

study. Profitability is the ratio of management effectiveness based on the returns generated from sales and investment[1]. Return On Asset (ROA) measures overall profitability of companies[11].

$$ROA = \frac{\text{Earning Before Interest and Tax (EBIT)}}{\text{Total Assets}} (1)$$

In this study, the corporate performance represented by the value of Return on Assets (ROA) affected by the management of working capital and financial constraints. Budgeting, Forecasting and planning are some components of corporate performance management that help corporations to observe and plan about the performance of the corporations from time to time[12].

### B. Working Capital Management

Working capital is one of the assets that must be managed by the economic unit in the company and has played a role in financial management (Kowsari & Shorvarzi, 2017). Meanwhile, study from Khalid et al.[13] stated that working capital management is the importance of the financial sector because, without proper working capital management, it is difficult for organizations to run their operations smoothly. Working capital management (WCM) by definition is a management of inventory plus account receivables minus accounts payables[2]. WCM plays a significant and important role in the profitability of a firm and that the relationship between WCM and profitability is a positive one, while some have the opinion that there is a negative relationship between profitability and WCM[7]. The goal of working capital management is the balancing between maintaining liquidity to support daily operations and maximizing short-term investment opportunities[14]

Net trade cycle (NTC), namely accounts receivable, inventory, and accounts payable, is expressed as a percentage of sales and therefore shows the number of sales days the company has to finance its working capital[15].

$$NTC = \frac{(AR + INV - AP)}{SALES} \times 365 \quad (2)$$

Another parameter used as a measurement of the Working Capital Management is the Average Collection Period. Average Collection Period (ACP) calculated by dividing the value of receivables by net sales per day.

$$ACP = \frac{\text{Account Receivable}}{SALES} \times 365 \quad (3)$$

In this study, Working Capital Management, represented by a measure of the value of NTC and ACP, will have an impact on company performance and financial constraints.

### C. Financial Constraint

Financial constraint can be a measure of the firm's financial condition or the firm's balance sheet condition, such as firm cash flow, leverage, and size[16]. Dividend Payout Ratio (DPR) is the number of dividends distributed

to shareholders compared to the net income received by the company.

$$DPR = \frac{Dividend\ Payout(4)}{EBIT}$$

In this study, Financial Constraint, represented by a measure of the value of DPR, will have an impact on company performance. Financial constraints as influential variables to find out the effect of working capital investment on company performance.

*D. Research Model*

The proposed research model is shown in Figure 1. This model has been developed to answer research questions. The research questions based on this research model were:

- 1) Does the Working Capital Management (NTC) affect Corporate Performance (ROA)?
- 2) Does the Working Capital Management (ACP) affect Corporate Performance (ROA)?
- 3) Does the Working Capital Management (NTC) affect Corporate Performance (ROA) moderated by Financial Constraints (DPR)?
- 4) Does the Working Capital Management (ACP) affect Corporate Performance (ROA) moderated by Financial Constraints (DPR) ?

The research model developed has four variables, namely two independent variables (NTC & ACP), one dependent variable (ROA), and one as a moderating variable (DPR).

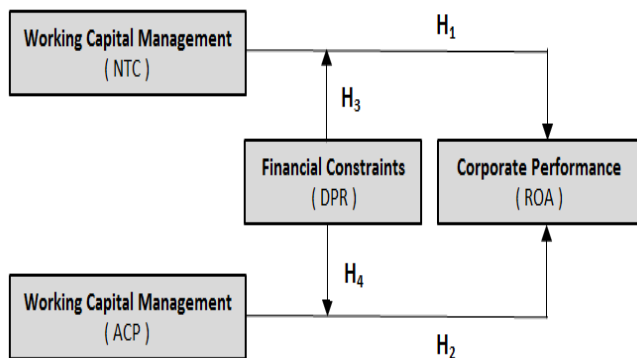


Fig 1:-Research Model

In addition, Financial Constraints (DPR) as a moderating variable which is a special variable and as a novelty in this research related Corporate Performance (ROA).

*E. Hypothesis Development*

Furthermore, hypotheses based on this research model can develop, as follows:

The results of research by Shubita[17] in 2013 show that there is a significant negative relationship between company profitability as measured by Return On Assets (ROA). Meanwhile, the results of Kaddumi & Ramadan[18]

revealed a statistically significant negative relationship between company profitability as quantified by Return On Assets (ROA) and Net Trade Cycle (NTC). Based on this, the hypothesis is developed:

**H1:** Working Capital Management (NTC) affects Corporate Performance (ROA)

The results of Nzioki's research [19] revealed that gross operating profit positively correlated with the Average Collection Period (ACP). While a study by Nazir & Afza [20] indicated that there is a negative relationship between profitability and the Average Collection Period (ACP). Based on this, the hypothesis is developed:

**H2:** Working Capital Management (ACP) affects Corporate Performance (ROA)

The research results of Baños-Caballero, García-Teruel & Martínez-Solano [15] showed that the optimum level of working capital management accounts is lower when the company is in a financial constraint. Meanwhile, according to Kowsari [1], financial constraints affect the relationship between working capital management and return on assets, better working capital management can improve company performance. On the other hand, the effect of working capital on company performance will increase when facing financial constraints. Based on this, the hypothesis is developed:

**H3:** Financial Constraint (DPR) moderates the influence of Working Capital Management (NTC) towards Corporate Performance (ROA)

Refer to the results of Caballero et al. research [15] that the optimum level of working capital management accounts is lower when the company is in a financial constraint. Meanwhile, according to Kowsari [1], financial constraints affect the relationship between working capital management and return on assets better, working capital management can improve company performance. Based on this, the hypothesis is developed:

**H4:** Financial Constraint (DPR) moderates the influence of Working Capital Management (ACP) towards Corporate Performance (ROA).

**III. RESEARCH METHODOLOGY**

This empirical study is related to one of the importance of the aspect of financial management known as working capital management regarding registered wholesaler sub-sector companies in The Indonesia Stock Exchange.

*A. Samples and Data Collection*

In this research, the required data collection uses literature study techniques and secondary data from the official website of the Indonesia Stock Exchange. The population used in this study are companies engaged in the registered wholesaler sub-sector companies in The Indonesia Stock Exchange during the 2014-2019 period, in total 47

companies. Purposive sampling is a sampling technique used in this study by using criteria or considerations. The criteria or sampling considerations used are: (1) the company was listed on the Indonesia Stock Exchange (IDX) before December 31, 2013, and not delisted during the 2014-2019 observation period, (2) the company publishes financial reports sustainably for the period 2014-2019, (3) companies that recorded consecutive profits from 2014 to 2019, (4) companies that distribute dividends to shareholders for a certain period in succession. Based on the criteria already mentioned, a sample of 28 companies obtained, or nearly 60 percent of the total population.

**B. Data Analysis**

The data analysis conducted in this study was econometric analysis and multivariate analysis [21]. The econometric analysis can be used to analyze economic phenomena, while multivariate analysis can be defined as an analytical technique used to examine the relationship between various variables. Data processing analysis in this study using the EViews v.10 software program. The EViews program is a multivariate and econometric data analysis software that is quite well known for processing various types of data such as cross-sections, time-series, and panels.

**IV. RESULTS AND DISCUSSION**

**A. Model Testing Results**

The multiple regression analysis used to demonstrate the economic trend of a transitory economy [22]. Analysis of the model testing in this study uses Moderated Regression Analysis (MRA) with the dependent variables, namely: Corporate Performance (ROA) and the independent variables are Working Capital Management (NTC and ACP) and the moderating variable Financial Constraints (DPR). Data processing in this study uses the program EViews (Econometric Views) 10 for Windows. Working Capital Management (NTC and ACP) and the Financial Constraint (DPR) moderating variable. The results of the Moderated Regression Analysis (MRA) analysis shown in Table 2., for Regression Equation 1, Table 3., for Regression Equation 2, and Table 4. for Regression Equation 3.

Variable	Coefficient	Std. Error	T-Statistic	Prob
C	0.064182	0.011693	5.489048	0
NTC	- 0.0000441	0.000904	-0.487291	0.6289
ACP	- 0.000023	0.021951	-0.121436	0.9040
DPR	0.033737	0.021951	1.536941	0.1326

Table 1: -Regression Equation 1

Based on Table 1., the regression equation-1 obtained, as follows:

$$ROA = 0.064182 - 0.0000441 NTC - 0.000023 ACP + 0.033737 DPR + e(5)$$

Variable	Coefficient	Std. Error	T-Statistic	Prob
C	0.074041	0.009766	7.581269	0
NTC	- 0.0000905	0.000118	-0.768538	0.4469
ACP	- 0.0000273	0.000196	0.139655	0.8897
NTC_DPR	0.000102	0.000173	0.588246	0.5598

Table 2: -Regression Equation 2

Based on Table 2., the moderation regression equation-2 obtained, as follows:

$$ROA = 0.074041 - 0.0000905 NTC + 0.0000273 ACP + 0.000102 NTC\_DPR + e(6)$$

Variable	Coefficient	Std. Error	T-Statistic	Prob
C	0.074123	0.009759	7.602929	0
NTC	- 0.0000446	0.000929	-0.47965	0.6342
ACP	- 0.0000522	0.000219	-0.238343	0.8129
ACP_DPR	0.000182	0.000311	0.587251	0.5605

Table 3: -Regression Equation 3

Based on Table 3., the moderation regression equation-3 obtained, as follows:

$$ROA = 0.074123 - 0.0000446 NTC - 0.0000522 ACP + 0.000182 ACP\_DPR + e(7)$$

Model testing by using the Classical Assumption Test, namely: Multicollinearity, Heteroscedasticity, and Autocorrelation.

**(1) Multicollinearity Test.**

This test aims to test whether in the regression model there is a high or perfect correlation between the independent variables (Ghozali, 2013). Multicollinearity Test shown in Table 4.

	R2	Tolerance	VIF
<b>Equation 1</b>			
NTC	0.427146	0.572854	1.745645
ACP	0.433474	0.566526	1.768144
DPR	0.015101	0.984899	1.015333
<b>Equation 2</b>			
NTC	0.644663	0.355337	2.814230
ACP	0.441957	0.558043	1.791977
NTC_DPR	0.451341	0.548659	1.822626
<b>Equation 3</b>			
NTC	0.428757	0.571243	1.750568
ACP	0.554697	0.445303	2.245662
ACP_DPR	0.302991	0.697009	1.434702

Table 4: -Multicollinearity Test

Based on the calculation results in the table above, it shows that there are no independent variables that have a Variance Inflation Factor (VIF) > 10. So it can be concluded that the regression model in this study does not occur multicollinearity and the regression model is suitable for use.

(2) *Heteroscedasticity Test.*

The heteroscedasticity test aims to test whether the regression model has inequality of variance from residuals or observations to other observations. (Ghozali, 2013). One way to see whether or not heteroscedasticity is by using the Glejser test method. The results of testing the heteroscedasticity assumption through the Glejser test shown in Table 5.

Model	Statistic	Probability
1	6.464548	0.0911
2	9.081367	0.0591
3	10.26813	0.1138

Table 5: - Heteroscedasticity Test Results

The probability of producing a value smaller than the level of significance ( $\alpha = 5\%$  or 0.05). Then, it means that the residual stated to have a homogeneous variety. Thus the assumption of the absence of heteroscedasticity in the model is fulfilled.

(3) *Autocorrelation Test.*

The autocorrelation test tested whether, in a linear regression model, there is a correlation between confounding errors (residuals) in period t with period t-1 (previous). And, To determine the presence of autocorrelation, the Breusch-Godfrey Serial Correlation LM test can be performed, the results shown in Table 6.

Model	Statistic	Probability
1	4.532703	0.1037
2	2.745418	0.2534
3	5.208380	0.0740

Table 6: - Autocorrelation Test Results

The Godfrey Serial Correlation LM model test results have a value greater than alpha significant ( $\alpha = 5\%$  or 0.05). Thus the residuals generated from the estimated models are stated to have no autocorrelation, and the normality assumption had fulfilled.

The regression model is a model used to analyze the effect of several independent variables on one dependent variable [22].

Panel data or pooled data is data that has a combination of two elements, namely time series and cross-sectional. Regression using panel data is called a panel data regression model. According to Shyti and Valera [22], to estimate model parameters using panel data, there are three techniques (models), namely: Fixed Effects, Common Effects, and Random Effects. There are three tests carried out to decide which model to use, namely the Chow test,

Hausman test, and Lagrange Multiplier test. This study used the Hausman test.

In this Hausman test, it aims to determine the individual effects in the panel regression estimation model, whether the model is estimated using the Fixed Effect (FEM) or Random Effect (REM), namely  $H_0$ : Random Effect Model and  $H_1$ : Fixed Effect Model. If  $H_0$  had rejected, it means that the effect in the panel regression estimation model used is the Fixed Effect Model. The test results had shown in Table 7.

Model	Statistic	Probability
1	8.359413	0.0391
2	22.767373	0.0001
3	35.118914	0.0000

Table 7: - Hausman Test Results

The significance value of the Hausman test statistic is more than the degree of significance  $\alpha = 5\%$  or 0.05 so that  $H_0$  is accepted. Thus the panel regression estimation model is the Fixed Effect Model (FEM).

B. *Hypothesis Testing Results*

Hypothesis testing able to used determine whether there is an influence of the independent variables partially (individually) or simultaneously (together) on the dependent variable.

(1) Simultaneous Testing able to use to test hypotheses about whether or not the independent variables influence the dependent variable simultaneously or together. The test criterion states that if the probability result of the F test < level of significance is 5% or 0.05, it is revealed that there is an effect of the independent variable on the dependent variable simultaneously or together.

Model	F Statistic	Probability
1	3.978206	0.001740
2	4.027266	0.001336
3	4.557161	0.000406

Table 8: - Simultaneous Hypothesis Test Results

Based on Table 8., the simultaneous impact testing of all models produces a probability value > level of significance ( $\alpha = 5\%$  or 0.05). It means that there is a significant effect of NTC, ACP, which is controlled by size either without moderation or moderation by the DPR simultaneously on ROA.

(2) Partial Testing able to use to test hypotheses about whether there is a partial influence of the independent variable on the dependent variable.

The test criteria stated that if the probability value is < level of significance ( $\alpha = 5\%$  or 0.05), it revealed that the effect of the independent variable on the dependent variable partially is declared. The partial significance test, shown in Table 9.

Model	Variable	Coefficient	Std.Error	T-Statistic	Prob
1	NTC	-0.000516	0.000227	-2.277853	0.0296
	ACP	-0.000472	0.000450	-1.048263	0.3024
2	DPR	-0.052548	0.032359	-1.623916	0.1145
3	NTC*DPR	-0.000325	0.000361	-0.651109	0.5201
	ACP*DPR	-0.002660	0.001150	-1.623916	0.1145

Table 9: - Hypothesis Test Results partially.

**H1:** Working Capital Management (NTC) affects Corporate Performance (ROA)

Testing the effect of NTC on ROA produces a statistical t value of -2.277853 with a probability of 0.0296. The probability value is < significant alpha 5% or 0.05. So, it concluded that there is a significant negative effect of NTC on ROA. The resulting coefficient is -0.000516 (negative), which means that if NTC increases, it tends to decrease ROA.

**H2:** Working Capital Management (ACP) affects Corporate Performance (ROA)

Testing the effect of ACP on ROA produces a statistical t value of -1.048263 with a probability of 0.3024. The probability value is < significant alpha 5% or 0.05. So it can be concluded that there is no significant effect of ACP on ROA. And it can be said that hypothesis 2 in this study not fulfilled.

**H3:** Financial Constraint (DPR) moderates the influence of Working Capital Management (NTC) towards Corporate Performance (ROA)

Testing the effect of NCT on ROA moderated by the DPR produces a statistical T-value of -0.651109 with a probability of 0.5201. The probability value is > significant alpha 5% or 0.05. So it can be concluded that there is no significant effect of NCT on ROA moderated by the DPR. Or it can be stated that the DPR variable is not able to moderate the effect of NCT on ROA. In model 2, the DPR variable does not have a significant effect on ROA (probability > 0.05). The DPR variable in model 2 is not significant, and the interaction variable for NCT\*DPR is also not significant. So the moderating nature of the DPR variable is Homologizer Moderator, which means that the DPR variable has the potential to become a moderating variable. So that the hypothesis in this study 3 is not accepted.

**H4:** Financial Constraint (DPR) moderates the influence of Working Capital Management (ACP) towards Corporate Performance (ROA)

Testing the effect of ACP on ROA moderated by the DPR resulted in a statistical t value of -2.313698 with a probability of 0.0280. The probability value is > significant alpha 5% or 0.05. So it can be concluded that there is a significant effect of ACP on ROA moderated by the DPR. Or it can be stated that the DPR variable can moderate the effect of ACP on ROA. In model 2, the DPR variable does not have a significant effect on ROA (probability > 0.05). And, the DPR variable in model 2 is not significant, and the

ACP \* DPR interaction variable is significant. So the moderating nature of the DPR variable is Pure Moderator, meaning that the pure DPR variable becomes a moderating variable for the effect of ACP on ROA. The coefficient value is negative, so it interpreted that the DPR can weaken the effect of ACP on ROA. So that hypothesis 4 in this study is accepted.

### C. Discussion

This study is to investigate the effect of working capital management on company performance with the consideration of financial constraints in large trading sub-sector companies listed on the Indonesia Stock Exchange from 2014 to 2019. The same study was also carried out on the Tehran-Iran Stock Exchange (Vahid et al. 2012; Kowsari & Shorvarzi, 2017), on the Pakistan Stock Exchange (Iqbal & Wang, 2018), on the Indian Stock Exchange (Kaushik & Chauhan, 2019), and studies at Borsa İstanbul or the Turkey Stock Exchange (Soykan & Ulucak, 2016). Economic growth conditions are different in each country, causing the results of studies related to working capital management and corporate performance in each resulting country to be different.

Based on model testing, the regression model in this study does not occur multicollinearity, and the regression model is suitable for use. Using Heteroscedasticity testing, the regression models have homogeneous variety. Thus the assumption of the absence of heteroscedasticity in the model is fulfilled. Furthermore, the regression models have no autocorrelation, and the normality assumption had fulfilled.

Hypothesis testing states the influence of the independent variable on the dependent variable, either simultaneously or together or partially. The results of the first hypotheses (H1) revealed that there is a significant negative effect of NTC on ROA. This finding is in line with the results of studies conducted by Shubita [17] and Kaddumi & Ramadan [18].

The findings of the second hypothesis (H2) mentioned that there is no significant effect of ACP on ROA. This finding is not in line with previous studies by Nzioki [19] and Akoto Nazir & Afza [20], where studies concluded that there was an effect of profitability (ROA) and the Average Collection Period (ACP). Furthermore, The findings of the third hypothesis (H3) reveal that it concluded that there is no significant effect of NTC on ROA moderated by DPR. This result is in line with the Kowsari study [1]. Finally, Financial constraint (DPR) was unable to moderate the effect of Working Capital Management (NTC) on Corporate performance (ROA). So, these results are in line with Kowsari's study [1], which states that financial constraints

affect the relationship between working capital management and return on assets.

#### D. Implications and Limitation of the Research

There are several implications of this study which may be relevant for managers and scientific research for working capital management. First, the results of this study have managerial implications that managers must be able to manage working capital properly by paying attention to financial constraints. Second, theoretically, the findings of this study have broad implications regarding the relevance of working capital management through control over financial constraints. However, this study still has several limitations, including the short observation period and the lack of research objects so that the results do not represent the overall effect of working capital management on trading companies on the Indonesia Stock Exchange.

### V. CONCLUSION

In summary, the purpose of this study is to investigate the effect of working capital management on company performance with the consideration of financial constraints as a case study on the registered wholesaler sub-sector companies on the Indonesia Stock Exchange for the period 2014 to 2019.

The main results in this study reveal that Financial Constraints (DPR) significantly moderates the effect of the Working Capital Management (ACP) on Corporate Performance (ROA). However, Financial Constraints (DPR) was unable to moderate the effect of Working Capital Management (NTC) Corporate Performance (ROA).

Finally, this study on registered wholesaler sub-sector companies on the Indonesia Stock Exchange, it will contribute to the management of a trading company in managing its working capital by paying more attention to the Net Trade Cycle (NTC) due to financial constraints (DPR), where it can affect the level of profitability for the performance of a company.

### ACKNOWLEDGMENT

The authors would like to thank the Directorate of Research and Community Service of Perbanas Jakarta for providing full support for this innovative scientific research.

### REFERENCES

[1]. A. Kowsari and M. R. Shorvarzi, "The Relationship between Working Capital Management, Financial Constraints and Performance of Listed Companies in Tehran Stock Exchange," *J. Polit. Law*, vol. 10, no. 2, p. 248, 2017.

[2]. S. R. Murthy, "Working Capital, Financing Constraints and Firm Financial Performance in GCC Countries," *Inf. Manag. Bus. Rev.*, vol. 7, no. 3, pp. 59–64, 2015.

[3]. T. K. Vahid, G. Elham, A. K. Mohsen, and E. Mohammadreza, "Working Capital Management and Corporate Performance: Evidence from Iranian

Companies," *Procedia - Soc. Behav. Sci.*, vol. 62, pp. 1313–1318, 2012.

[4]. J. Firmansyah, H. Siregar, and F. Syarifuddin, "Does Working Capital Management Affect the Profitability of Property and Real Estate Firms in Indonesia?," *J. Keuang. dan Perbank.*, vol. 22, no. 4, pp. 694–706, 2018.

[5]. R. H. Setianto and A. Pratiwi, "Working capital management in indonesia: An analysis on overinvestment and underinvestment firms," *Gadjah Mada Int. J. Bus.*, vol. 21, no. 1, pp. 1–18, 2019.

[6]. E. Gracia, "Working Capital, Financial Constraints, and Firm Value: Evidence of Indonesia Manufacturing Firm," *J. Econ. Bus.*, vol. 1, no. 2, pp. 171–176, 2018.

[7]. I. Asif and Z. Wang, "Effect of Working Capital Management on Profitability," *Int. Conf. Key Eng. Mater. Comput. Sci.*, no. January, pp. 53–59, 2018.

[8]. R. H. Setianto and R. Hayuningdyah, "The role of financial constraint on the relationship between working capital management and firms' performance," *Adv. Business, Manag. Entrep.*, no. April 2019, pp. 281–285, 2020.

[9]. M. E. Soykan and R. Ulucak, "Is There a Non-linear Relationship between Net Trade Cycle and Corporate Performance in Turkey?," *Int. Bus. Res.*, vol. 9, no. 6, p. 95, 2016.

[10]. M. Deloof, "Does Working Capital Management Affects Profitability of Belgian Firms?," *J. Bus. Financ. Account.*, vol. 30, no. 3, pp. 573–587, 2003.

[11]. F. Laghari and Y. Chengang, "Investment in working capital and financial constraints: Empirical evidence on corporate performance," *Int. J. Manag. Financ.*, vol. 15, no. 2, pp. 164–190, 2019.

[12]. M. Nadeem, S. Atta, H. Javed, I. Ahmad, and M. Jawad Khalil, "Relationship between Working Capital and Corporate Performance in the Textile Sector of Pakistan," *Int. J. Fam. Bus. Manag.*, vol. 1, no. 1, pp. 1–5, 2017.

[13]. R. Khalid, T. Saif, A. R. Gondal, and H. Sarfraz, "Working Capital Management and Profitability," *Mediterr. J. Basic Appl. Sci.*, vol. 2, no. 2, pp. 117–125, 2018.

[14]. A. Asgharian, I. Dadashi, and A. A. P. Aghajan, "The Investigating of the Relation between Working Capital and Performance with Considering Financial Constraints in TSE," *Int. J. Econ. Manag. Soc. Sci.*, vol. 4, no. 2, pp. 244–247, 2015.

[15]. S. Baños-Caballero, P. J. García-Teruel, and P. Martínez-Solano, "Working capital management, corporate performance, and financial constraints," *J. Bus. Res.*, vol. 67, no. 3, pp. 332–338, 2014.

[16]. A. Lerskullawat, "Financial development, financial constraint, and firm investment: Evidence from Thailand," *Kasetsart J. Soc. Sci.*, vol. 40, no. 1, pp. 55–66, 2019.

[17]. M. F. Shubita, "Working Capital Management and Profitability: A Case of Industrial Jordanian Companies," *Spec. Issue Contemp. Res. Bus. Soc. Sci.*, vol. 4, no. 8, pp. 108–115, 2004.

- [18]. T. A. Kaddumi and I. Z. Ramadan, "Profitability and Working Capital Management: The Jordanian Case," *Int. J. Econ. Financ.*, vol. 4, no. 4, pp. 217–226, 2012.
- [19]. P. M. Nzioki, S. K. Kimeli, M. R. Abudho, and J. M. Nthiwa, "Management of working capital and its effect on profitability of manufacturing companies listed on Nairobi securities exchange (NSE ), Kenya," *Int. J. Bus. Financ. Manag. Res.*, vol. 1, no. 1, pp. 35–42, 2013.
- [20]. M. S. Nazir and T. Afza, "Impact of Aggressive Working Capital Management Policy on Firms ' Profitability," no. May 2014, pp. 19–31, 2009.
- [21]. J. Creswell, *Research Design John Creswell 2015*, vol. 1. 2015.
- [22]. B. Shyti and D. Valera, "The Regression Model for the Statistical Analysis of Albanian Economy," *Int. J. Math. Trends Technol.*, vol. 62, no. 2, pp. 90–96, 2018.