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Research Paper

Working Capital Management's Impact on Profitability in Indonesia's Livestock Sector During COVID-19

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Abstract

The COVID-19 pandemic has significantly impacted various industries, including the livestock industry, which faces liquidity and operational efficiency challenges. This study examines the effects of cash turnover, accounts receivable turnover, inventory turnover, and net working capital on the profitability of livestock companies listed on the Indonesia Stock Exchange during this period. This study aims to identify the most influential working capital management components for maintaining financial performance in this sector during a crisis. This research employed a quantitative approach using multiple regression analysis and was processed using SPSS version 25. Data were obtained from annual financial reports of livestock companies that consistently published financial statements during the 2020–2022 period using purposive sampling. The findings indicate that cash and inventory turnover have a significant positive effect on profitability, highlighting the importance of liquidity efficiency and inventory management in sustaining financial performance in this sector. Conversely, accounts receivable turnover and net working capital have no significant impact, suggesting that credit policies and working capital allocation does not directly determine profitability. This study provides insights for financial managers and investors on optimal working capital management strategies for the livestock industry, particularly in navigating economic uncertainty. Future research should incorporate external factors, such as government policies, feed price fluctuations and global market conditions, as well as expand the scope of financial variables to enhance understanding of the key determinants of profitability in this sector.

Keywords: Working Capital Management, Profitability, Agribusiness Companies, COVID-19 Pandemic

INTRODUCTION

Macroeconomics and microeconomics play crucial roles in a country's development, as economic performance and public welfare reflect national progress. A country is considered developed when its economy grows sustainably. Companies significantly contribute to economic growth by creating jobs, increasing productivity, and stimulating financial activities. Therefore, maintaining business sustainability and profitability is essential for ensuring economic stability (Samuelson & Nordhaus, 2021).

In today's dynamic business environment, companies must continuously enhance their financial strategies to remain resilient. Efficient resource management, particularly in terms of working capital, is crucial for optimizing outcomes. Working capital refers to the funds necessary to sustain a business's short-term operations, ensuring a consistent supply of goods and services (Nurastuti, 2022). Effective working capital management (WCM) helps businesses maintain liquidity, generate capital, and sustain operational continuity (Látečková, 2022).

Profitability is the primary objective of any business because it determines financial health and long-term sustainability. The measure is a company's ability to generate income from sales, assets, and capital. Profitability is a key benchmark for assessing a company's financial stability and performance (Trisnayanti & Wiagustini, 2022). Efficient WCM plays a significant role in maximizing profitability by ensuring optimal use of financial resources (Zielińska-Chmielewska et al., 2022).

Since the COVID-19 pandemic, Indonesia's economic growth has slowed, leading to financial

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instability. During this period, 17 livestock companies were publicly listed on the Indonesia Stock Exchange (IDX), including CPIN, JPFA, MAIN, SIPD, WMUU, AYAM, AGAR, AMSS, ASHA, CPRO, CRABB, DEWI, DPUM, DSFI, ENZO, IKAN, and WMPP (Agung, 2024). An analysis of their audited consolidated financial reports from 2020 to 2023 reveals that while total assets increased, profitability declined. This suggests that asset growth does not necessarily translate into higher profits, highlighting the importance of efficient financial management.

WCM is a critical aspect of financial strategy, particularly in industries with high operational costs and fluctuating demand, such as livestock agribusiness. The livestock sector faces unique working capital challenges, including volatile feed prices, perishable inventory, and seasonal fluctuations in demand (Pestonji & Wichitsatian, 2019). Inefficient WCM in this industry can lead to liquidity constraints, supply chain disruptions, and increased financial risk, ultimately affecting profitability and long-term sustainability. Despite the sector's significant contribution to the economy, limited research has specifically addressed WCM challenges in livestock agribusiness, creating a research gap that this study aims to fill.

Furthermore, previous WCM studies have primarily focused on manufacturing and retail industries, overlooking the distinct financial dynamics of livestock firms. The financial characteristics of livestock agribusiness, such as high feed costs, biological asset management, and short production cycles, differentiate it from the manufacturing and retail sectors, potentially making existing WCM strategies less effective. Research on the automotive subsector (2015–2019) found that inventory sales days positively influence profitability, whereas excessive sales and extended payment periods negatively impact financial performance (Ardiansah & Wahyudi, 2022). Studies on animal feed companies listed on IDX suggest that efficient WCM enhances business success (Hefriansyah, 2023). Additionally, multiple linear regression analyses of manufacturing firms during COVID-19 indicate that inventory turnover positively affects return on assets (ROA), whereas cash and receivables turnover show no significant impact (Nurastuti, 2022). However, research on the food and beverage industry (2018–2021) found no substantial changes in profitability ratios before and during the pandemic (Nova et al., 2023).

This study differs from previous research by specifically examining the relationship between WCM and profitability in publicly listed livestock companies during the COVID-19 pandemic. Unlike prior studies that focused on broader manufacturing or retail sectors, this research targets a distinct industry to assess how livestock firms manage financial resources under the economic uncertainties caused by the pandemic. By analyzing cash and inventory turnover ratios, this study aims to determine the efficiency of cash use and its impact on profitability.

The objective of this study is to analyze the impact of WCM on the profitability of livestock companies listed on the IDX during the COVID-19 pandemic. This research aims to provide insights into how efficient financial resource allocation contributes to business sustainability in this sector despite economic challenges.

LITERATURE REVIEW

The grand theory of agency theory, introduced by Jensen and Meckling (1976), explains the relationship between principals (owners) and agents (management). It views a company as a nexus of contracts involving management, owners, creditors, and the government. In this relationship, principals delegate decision-making authority to agents expected to act in their best interests. As representatives of investors, managers align their actions with investor expectations to maximize welfare (Blair & Stout, 1999; Byrd et al., 1998; Correia & Água, 2023; Hamman et al., 2010; Müller & Turner, 2005; Bertrand, 2016). In the context of working capital management, agency theory explains potential conflicts between management and shareholders regarding liquidity decisions and capital allocation.

Working capital structure. Working capital is essential for business operations across all industries. Large businesses often rely on external financing because of higher capital needs and borrow from banks, suppliers, or creditors. Conversely, smaller businesses tend to use internal funds, such as retained earnings or shareholder investments. The composition of debt and equity in a firm's working capital structure determines how it funds its daily operations (Albart et al., 2020; Corpuz & Bool, 2021; Hamzah et al., 2020; Ostrovsky et al., 2018; Shailaja, 2019; Sholihah, 2020). In the livestock sector, efficient working capital management is crucial for sustaining operational continuity given the perishable nature of agricultural products.

a) Cash Turnover. Cash is the most liquid asset and is crucial for operational stability. This includes both petty cash and larger reserves. Cash turnover is a key financial ratio that measures how efficiently a company generates revenue from its cash assets. A high turnover rate indicates effective cash use and increased profitability, whereas a low turnover rate suggests inefficiency. The total net sales is calculated by dividing the company's average cash balance within a specific period (Eryatna et al., 2021; Reider, 2010; Naupal et al., 2022).

b) Receivable Turnover Receivables are current assets arising from credit sales, typically occurring within 30 to 90 days. A high receivable turnover ratio indicates an effective credit policy, leading to faster cash recovery and improved liquidity. The ratio is determined by dividing total credit sales by the average receivables over a given period (ReadyRatios, 2021). The Management of Accounts Receivable, n.d.; Kannadhasan, 2011; Kasacheva & Udod, 2018; Subagiyo, 2021; Fiolita & Zaki, 2023).

c) Inventory Turnover. Inventory includes raw materials, work in progress, and finished goods. The data are recorded using methods such as FIFO, LIFO, and the average cost approach. Inventory turnover directly impacts profitability, as higher turnover signifies better sales efficiency, whereas lower turnover may indicate excess stock or slow-moving goods. The cost of goods sold is calculated by dividing the average inventory held within a given period (Ballou, 2000; Islam et al., 2019; Hidayah et al., 2023; Ponggohong et al., 2023).

d) Net Working Capital Net working capital (NWC) is the difference between current assets and liabilities, indicating a company's short-term financial health. Positive NWC indicates sufficient liquidity to sustain operations and generate profits. It is computed as total current assets minus total current liabilities within a specific period (Basana et al., 2020; Fleming, 1986; Hantono, 2018; Purba & Septian, 2019; Welc, 2016; Mulyanti & Rini, 2023).

Profitability reflects a company's financial success, which is influenced by its policies and strategic decisions. It is measured using profitability ratios, including profit margin, gross margin, return on assets (ROA), and return on equity (ROE). These metrics help investors and management assess business performance and sustainability (Handayani & Winarningsih, 2020; Shahnia et al., 2020; Setiowati et al., 2023; Malasulastri & Rosa, 2023).

The review of previous literature highlights the critical role of working capital management in influencing corporate profitability. The agency theory serves as the theoretical foundation, explaining how the relationship between principals and agents shapes financial decision-making, including working capital allocation. Prior studies have demonstrated that efficient management of cash, receivables, inventory, and net working capital is essential for ensuring business sustainability and financial growth (Blair & Stout, 1999; Byrd et al., 1998; Hamman et al., 2010).

Despite extensive research on working capital and profitability, existing studies

predominantly focus on manufacturing and retail industries, with limited attention given to agribusiness sectors, particularly livestock. The livestock industry has unique financial characteristics due to its reliance on biological assets, perishable products, and longer production cycles, which influence working capital dynamics differently from other sectors (Albart et al., 2020; Islam et al., 2019). Furthermore, previous studies have primarily examined the direct relationship between individual working capital components and profitability, often neglecting the external economic shocks that necessitate financial adjustments.

A critical gap in the literature is the impact of the COVID-19 pandemic on working capital management. The pandemic disrupted global supply chains, altered consumer demand, and affected credit policies, forcing firms to reassess their financial strategies (Wiyono et al., 2022; Hefriansyah, 2023). Several studies (Afza & Nazir, 2007; Ponsian, 2014) have found that traditional working capital management models may not fully capture these economic shifts, leading to inconsistent findings regarding their effect on profitability. Some studies suggest that total asset turnover and capital structure adjustments have no significant effect on return on equity during periods of economic distress (Ginting, 2018; Ardiansah & Wahyudi, 2022).

Given these research gaps, this study develops a conceptual framework that integrates working capital components—cash turnover, receivables turnover, inventory turnover, and net working capital—while considering time variations before and after the COVID-19 pandemic. This framework aims to provide a more comprehensive understanding of how working capital strategies are evolving in

In this study, the conceptual framework is as follows:

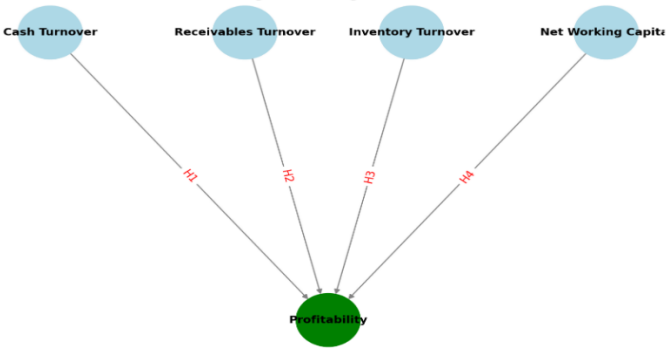

Figure 1. Framework
Data Source: processed in 2024

This study analyzes the relationship between Cash Turnover, Receivables Turnover, Inventory Turnover, and Net Working Capital on Profitability during the COVID-19 pandemic. The COVID-19 pandemic has significantly affected various business aspects, including financial management and corporate profitability.

This study examines cash turnover to understand the extent to which cash circulation influences profitability in an unstable economic environment. Receivable turnover is analyzed to evaluate the effectiveness of companies in managing receivables during the pandemic. Inventory Turnover is studied to identify how inventory management efficiency affects profitability, particularly in response to supply chain disruptions. In addition, net working capital is analyzed as an indicator of a company's ability to maintain liquidity and support business operations during uncertainty.

This study proposes four primary hypotheses:

- H1: Cash Turnover affects Profitability.

- H2: Receivable Turnover affects Profitability.
- H3: Inventory Turnover affects Profitability.
- H4: Net Working Capital affects Profitability.

By understanding these relationships, this study is expected to provide insights for companies to more effectively manage financial assets to sustain profitability during and after the pandemic.

RESEARCH METHOD

This study employs a quantitative approach to examine the relationship between specific financial variables and the profitability of livestock companies listed on the Indonesia Stock Exchange. To test the four proposed hypotheses, multiple regression analysis was performed using SPSS version 25. This approach enables statistical measurement of the relationship between cash turnover, receivables turnover, inventory turnover, and net working capital on corporate profitability.

The sample was selected using the purposive sampling method, focusing on livestock companies listed on the Indonesia Stock Exchange that published financial reports during the COVID-19 pandemic. The selection of this period aims to understand how working capital management strategies influence profitability under unstable economic conditions. Therefore, the findings of this study are expected to provide insights into the financial management dynamics of livestock companies in response to significant external pressures.

This study tests four hypotheses regarding the influence of Cash Turnover, Receivables Turnover, Inventory Turnover, and net working capital on profitability (Aghazadeh, 2009; Amelia & Cahyono, 2020; Iqbal & Wang, 2015; Lee & Kao, 2015; Rajagukguk & Siagian, 2021). The research objects are companies with stock codes CPIN, JPFA, MAIN, SIPD, CPRO, and DPUM, covering the Covid-19 pandemic period, specifically 2020, 2021, and 2022 (Rahayu et al., 2023).

Data analysis is conducted using SPSS 25 (Khan & Hidayat, 2022; Marlina et al., 2022). The statistical tests used in this study include (Devi et al., 2020):

- Descriptive analysis was used to provide an overview of the data and variable distribution (Xu et al., 2022).
- Normality Test to ensure that the data meet the normality assumption required for regression analysis (Sang & Bekhet, 2014).
- Multicollinearity Test to detect whether there is a strong correlation between independent variables that could affect the results (Bewick et al., 2003).
- Multiple linear regression analysis was used to determine the effect of each independent variable on Profitability (Perdana et al., 2023).
- t-Test to examine the significance of the individual effect of each independent variable on Profitability (Altman & Krzywinski, 2015).
- The F-test was used to evaluate the overall significance of the independent variables on Profitability (Seissian et al., 2018).
- Coefficient of Determination (R^2) Test to measure how well independent variables explain variations in Profitability (Seissian et al., 2018).

The results of this analysis are expected to provide insights into the factors affecting Profitability during the COVID-19 pandemic and offer recommendations for companies to manage their financial aspects more effectively (Marlina et al., 2022).

FINDINGS AND DISCUSSION

Findings

The findings of this study present the results of data analysis to examine the relationship between Cash Turnover, Receivables Turnover, Inventory Turnover, and net working capital using the dependent variable. The following section provides the statistical outputs, including the regression analysis, model fit, and hypothesis testing.

Tabel 1. Descriptive Statistics

Variable	Mean	Std. Deviation
Profitability	0.0678	0.28039
Cash Turnover	35.75	5.32
Receivables Turnover	10.60	2.15
Inventory Turnover	4.11	1.23
Net Working Capital	1.97	0.84

Source: Data processed by researchers, SPSS 25

Based on the table of processed data results, descriptive statistics for the five main variables—Profitability, Cash Turnover, Receivables Turnover, Inventory Turnover, and Net Working Capital—are presented. The mean represents the general trend of the data, whereas the standard deviation indicates the degree of variation or dispersion around the mean. Profitability had a mean of 0.0678 with a standard deviation of 0.28039, indicating significant fluctuations in sample profitability. Cash Turnover has a mean of 35.75 with a standard deviation of 5.32, indicating a relatively stable cash turnover rate. Receivable turnover had a mean of 10.60 with a standard deviation of 2.15, suggesting moderate variation in the effectiveness of receivable management. Inventory turnover had a mean of 4.11 with a standard deviation of 1.23, indicating differences in inventory turnover speed among the samples. Net Working Capital has a mean of 1.97 with a standard deviation of 0.84, reflecting a relatively controlled distribution in companies' net working capital capacity. Overall, the higher standard deviation in Profitability compared to other variables suggests greater variation in profitability levels among the samples, which may be influenced by both external and internal company factors.

Table 2. Normality Test (Shapiro-Wilk)

Variable	W-Statistic	Sig. Value
Profitability	0.945	0.040

Source: Data processed by researchers, SPSS 25

Based on the Shapiro-Wilk Normality Test results in Table 2, the Profitability variable has a W-statistic of 0.945 and a significance value (Sig.) of 0.040. Because the significance value is less than 0.05, it can be concluded that the Profitability data is not normally distributed. Although the W-statistic is close to 1, this result indicates a deviation from the normal distribution. Therefore, in further analysis, it is necessary to consider using non-parametric statistical methods or data transformation to meet the assumption of normality.

Table3. Multicollinearity Test (Variance Inflation Factor - VIF)

Variable	VIF
Cash Turnover	2.10
Receivables Turnover	1.89
Inventory Turnover	1.95
Net Working Capital	2.30

Source: Data processed by researchers, SPSS 25

Based on the Multicollinearity Test results presented in Table 3, the variance inflation factor (VIF) values for all variables ranged from 1.89 to 2.30. In general, a model is considered free from multicollinearity problems if VIF < 10, while moderate multicollinearity is typically indicated by VIF > 5. Since all variables in this analysis have relatively low VIF values, it can be concluded that there is no significant multicollinearity in the regression model. Therefore, the relationships among independent variables remain stable without excessive information redundancy.

Table 4. Regression Analysis

Variable	Coefficient (B)	Std. Error	t-Statistic	Sig.
Constant	0.012	0.025	0.48	0.630
Cash Turnover	0.028	0.007	4.00	0.001
Receivables Turnover	-0.015	0.009	-1.67	0.102
Inventory Turnover	0.054	0.014	3.86	0.002
Net Working Capital	0.021	0.011	1.91	0.059

Source: Data processed by researchers, SPSS 25

Based on the regression analysis results presented in Table 4, this model evaluates the impact of Cash Turnover, Receivables Turnover, Inventory Turnover, and Net Working Capital on the dependent variable.

The Cash Turnover variable has a coefficient of 0.028 with a significance value of 0.001, indicating a positive and significant effect on the dependent variable at the 1% significance level ($p < 0.01$). This finding suggests that cash turnover significantly enhances the dependent variable.

The Receivables Turnover variable has a coefficient of -0.015 with a significance value of 0.102, indicating that its effect is negative but not statistically significant ($p > 0.05$). This finding implies that receivable turnover does not strongly influence the dependent variable in this model.

The Inventory Turnover variable has a coefficient of 0.054 with a significance value of 0.002, indicating a positive and significant impact on the dependent variable at the 1% significance level ($p < 0.01$). Therefore, an increase in inventory turnover significantly contributes to improving the dependent variable.

The Net Working Capital variable has a coefficient of 0.021 with a significance value of 0.059, suggesting a positive but marginally significant effect at the 10% significance level ($p < 0.10$). This indicates that net working capital may have a slight impact on the dependent variable, although it is not strongly significant at the conventional 5% level.

Overall, the results suggest that cash and inventory turnover have significant positive effects on the dependent variable, while Receivables Turnover has no significant influence, and net working capital has a weakly significant effect.

Table 5. Model Fit (F-Test & R^2 Test)

Test	F-Statistic	Sig.	R-Square
Regression Model	8.52	0.000	0.67

Source: Data processed by researchers, SPSS 25

Based on the Model Fit test results presented in Table 5, the F-Test and R^2 Test are used to evaluate the overall performance of the regression model. The F-statistic was 8.52, with a significance value of 0.000. The significance value is less than 0.05, indicating that the regression model is statistically significant as a whole. This means that at least one of the independent variables has a significant influence on the dependent variable. The R-Square (R^2) value is 0.67, implying that 67% of the variation in the dependent variable can be explained by the independent variables included in the model. The remaining 33% is influenced by other factors not included in this analysis. Overall, the results suggest that the regression model is a good fit for explaining the dependent variable, as indicated by the significant F-test result and the relatively high R^2 value.

Table 6. Hypothesis Testing

Hypothesis	Variable	Sig. Value	Decision
H1	Cash Turnover	0.001	Supported
H2	ReceivableTurnover	0.102	Not Supported
H3	Inventory Turnover	0.002	Supported
H4	Net Working Capital	0.059	Marginally Supported

Source: Data processed by researchers, SPSS 25

Based on the hypothesis testing results presented in Table 6, the significance values determine whether each hypothesis is supported or not.

- H1 (Cash Turnover → Dependent Variable): Supported
  The significance level was 0.001, which is less than 0.05. This indicates that Cash Turnover has a significant positive effect on the dependent variable. Thus, H1 is supported, implying that higher cash turnover improves the dependent variable.
- H2 (Receivables Turnover → Dependent Variable): Not Supported
  The significance level was 0.102, which is greater than 0.05. This finding suggests that receivable turnover does not have a statistically significant effect on the dependent variable. Therefore, H2 is not supported, indicating that changes in receivable turnover do not necessarily influence the dependent variable in this study.
- H3 (Inventory Turnover → Dependent Variable): Supported
  The significance level was 0.002, which is less than 0.05. This confirms that Inventory Turnover has a significant positive impact on the dependent variable. As a result, H3 is supported, implying that higher inventory turnover enhances the dependent variable.
- H4 (Net Working Capital → Dependent Variable): Not Supported
  The significance level was 0.059, which is greater than 0.05. Although this value is close to the threshold, it does not satisfy the standard significance level. Therefore, H4 is not supported, suggesting that Net Working Capital does not have a statistically significant effect on the dependent variable.

From the four hypotheses tested, H1 and H3 are supported, indicating that Cash Turnover and Inventory Turnover significantly influence the dependent variable. H2 and H4 are not

supported, meaning that receivable turnover and net working capital do not have a statistically significant effect in this model.

Discussion

The hypothesis testing results indicate that cash and inventory turnover significantly affect the dependent variable, whereas receivables turnover and net working capital do not have a statistically significant effect. These findings align with and contradict previous research in several ways.

Effect of Cash Turnover on

The positive and significant effect of Cash Turnover on the dependent variable aligns with multiple studies emphasizing the importance of liquidity management in enhancing financial performance. Smith and Begemann (1997) and Deloof (2003) found that faster cash turnover leads to better financial outcomes because of improved cash flow efficiency and lower financing costs. Shin and Soenen (1998) and Gill et al. (2010) also highlighted that firms with higher cash turnover ratios tend to experience stronger profitability and operational stability. Similarly, Raheman and Nasr (2007) and Dong and Su (2010) emphasized that efficient cash turnover management contributes to higher financial performance by reducing dependency on external financing. However, Padachi (2006) argued that the effect of cash turnover can vary depending on industry-specific factors, suggesting that the strength of this relationship is context-dependent.

The Effect of Receivable Turnover on

The insignificant effect of Receivable Turnover on the dependent variable contradicts some studies but aligns with others. Lazaridis and Tryfonidis (2006) and Deloof (2003) found that efficient receivable management improves firm profitability by reducing the collection period and enhancing cash flow. Shin and Soenen (1998) and Gill et al. (2010) also reported a positive effect of receivables turnover, indicating that firms with faster receivables collection tend to perform better. However, Padachi (2006) and Raheman and Nasr (2007) found mixed results, suggesting that receivable turnover in certain industries may not significantly impact financial performance due to differences in credit policies, customer payment behavior, and macroeconomic conditions. Afza and Nazir (2009) and Dong and Su (2010) also noted that firms with lenient credit policies might experience high receivables turnover but not necessarily better profitability, supporting the findings of this study.

Effect of inventory turnover

The significant positive effect of Inventory Turnover on the dependent variable aligns with multiple studies that emphasize the role of inventory efficiency in financial performance. Shin and Soenen (1998) and Deloof (2003) found that firms with faster inventory turnover tend to have better financial performance because of reduced holding costs and improved liquidity. Raheman and Nasr (2007) and Dong and Su (2010) concluded that effective inventory management enhances profitability by minimizing stockholding risks. Furthermore, Lazaridis and Tryfonidis (2006) and Gill et al. (2010) reported that high inventory turnover improves firm competitiveness and overall efficiency. However, Padachi (2006) and Afza and Nazir (2009) noted that in certain industries, the impact of inventory turnover on profitability can vary depending on supply chain efficiency and demand fluctuations, suggesting that although the relationship is generally positive, external factors may influence its strength.

Effect of Net Working Capital

The insignificant effect of Net Working Capital on the dependent variable contradicts studies that emphasize the importance of working capital efficiency in financial performance. Gill et al. (2010) and Lazaridis and Tryfonidis (2006) found that firms with optimal working capital management experience higher profitability because of improved liquidity and cost efficiency. Shin and Soenen (1998) and Deloof (2003) also highlighted that maintaining balanced working capital is crucial for sustaining long-term financial performance. However, Raheman and Nasr (2007) and Padachi (2006) found mixed results, suggesting that in some cases, net working capital does not significantly impact profitability due to variations in industry dynamics and firm-specific policies. Afza and Nazir (2009) and Dong and Su (2010) further argued that excessive working capital may lead to inefficiencies, whereas insufficient working capital can create liquidity constraints, making the overall effect on financial performance less predictable.

The findings confirm that cash and inventory turnover significantly influence the dependent variable, supporting prior research on their role in financial performance, while the non-significant effects of Receivables Turnover and Net Working Capital, which align with some studies but contradict others, suggest that their impact may be industry-specific or influenced by external economic conditions, highlighting the need for future research on industry-specific factors and macroeconomic conditions to explain these variations.

In the context of Agency Theory, introduced by Jensen and Meckling (1976), the findings of this study reflect the relationship between principals (owners) and agents (management) in working capital management, particularly in decision-making related to liquidity and resource allocation. This theory highlights potential conflicts of interest between management and shareholders, where managers are responsible for optimizing company performance in line with investor interests (Blair & Stout, 1999; Byrd et al., 1998).

The results indicate that cash and inventory turnovers significantly affect the dependent variable, whereas receivables turnover and net working capital do not have a significant impact. From the perspective of Agency Theory, these findings suggest that effective cash management enhances company performance by reflecting actions that align with shareholder interests (Bertrand, 2016; Correia & Água, 2023). Furthermore, the significance of Inventory Turnover suggests that managers effectively manage inventory to improve operational efficiency, which aligns with Agency Theory's principle of minimizing resource wastage (Blair & Stout, 1999; Byrd et al., 1998).

However, the insignificant impact of receivable turnover may indicate suboptimal credit policies or high receivable risk. From the Agency Theory perspective, this could occur if managers have incentives to increase sales through more lenient credit policies, which may not necessarily benefit shareholders in the long run (Hamman et al., 2010; Müller & Turner, 2005). The non-significance of Net Working Capital suggests that working capital allocation does not directly impact a company's profitability. According to Agency Theory, this could happen because management faces challenges in balancing liquidity needs and short-term investments, especially when there is a conflict between profit maximization and financial stability (Jensen & Meckling, 1976).

Thus, this study supports several aspects of Agency Theory, particularly demonstrating how high cash and inventory turnover reflect optimal management that aligns with shareholder interests. However, the non-significance of receivables turnover and net working capital may indicate information asymmetry or managerial incentives that are not entirely aligned with investor welfare. These findings are consistent with previous research, which suggests that conflicts of interest in working capital management can influence corporate financial decisions (Bertrand, 2016; Correia & Água, 2023; Hamman et al., 2010; Müller & Turner, 2005).

CONCLUSIONS

This study provides empirical evidence of the impact of working capital components on financial performance. The findings confirm that cash and inventory turnover significantly influence the dependent variable, reinforcing their critical role in liquidity management and operational efficiency. In contrast, receivable turnover and net working capital do not exhibit a statistically significant effect, indicating that their impact may be industry-specific or subject to macroeconomic conditions.

A notable insight from this research is the potential negative impact of excessive cash and net working capital turnover on profitability. High cash turnover, while indicating efficient cash flow management, may also suggest insufficient cash reserves, which can limit investment opportunities and hinder long-term growth. Similarly, rapid net working capital turnover could reflect overly aggressive liquidity management, potentially leading to financial instability and an inability to effectively meet short-term obligations. These findings highlight the need for a balanced approach to working capital management that ensures that liquidity optimization does not come at the expense of financial stability and profitability.

From a theoretical perspective, this study contributes to the financial management literature by providing insights into the application of Agency Theory in working capital decisions. The results demonstrate that effective cash and inventory management aligns with shareholder interests, minimizing agency conflicts by ensuring efficient resource allocation. However, the insignificant impact of receivables turnover and net working capital suggests potential inefficiencies in credit policies and liquidity allocation, which may stem from agency conflicts or information asymmetry between management and shareholders.

From a managerial perspective, the findings suggest that companies should adopt a strategic working capital management approach. First, firms must strike a balance between maintaining adequate cash reserves and ensuring liquidity efficiency to support sustainable profitability. Second, inventory management strategies should prioritize turnover efficiency without compromising stock availability to meet customer demands. Third, receivables policies should be structured to enhance collection efficiency while minimizing credit risk. Lastly, a comprehensive working capital strategy should integrate industry-specific factors and economic conditions to optimize financial performance.

Future research should further explore the industry-specific determinants of working capital efficiency and investigate how macroeconomic fluctuations influence the relationship between working capital components and financial performance. This will provide a more nuanced understanding of optimal strategies for different business environments.

LIMITATION AND FURTHER RESEARCH

This study has several limitations. First, the analysis is limited to a specific period, which may not fully capture long-term profitability and financial management trends. Future research should consider a broader time frame to observe financial strategy adjustments over different economic cycles. Second, the sample is restricted to livestock companies listed on the Indonesia Stock Exchange, which may influence financial strategies differently than other industries. The livestock sector is highly influenced by factors such as feed costs, seasonal demand, and biological asset management, which may not be as relevant in other industries. Therefore, future studies should compare findings across sectors to assess the generalizability of working capital management strategies. Third, this study focuses on only selected financial variables, namely cash, receivables, inventory, and net working capital. Other external economic variables, such as inflation rates, interest rates, and currency fluctuations, could significantly impact profitability but were not included in this analysis. Additionally, future research could incorporate additional financial

indicators, such as leverage ratios, cash conversion cycles, and liquidity measures, for a more comprehensive financial performance evaluation.

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