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PROCEEDING



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ON FAMILY BUSINESS & ENTREPRENEURSHIP**



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The Global economic landscape is still recovering from the prolonged crisis which has significantly affected consumer's buying power, hit commodity prices, as well as hampered growth in general. However, in the midst of the crisis, research has shown that family business remains a strong and resilient force which helps propel the economy. A Harvard Business Review article argued that Family Businesses tend to be more frugal and enter the recessionary period with leaner cost structures.

According to McKinsey, in emerging economies, Family Business account for approximately 60 percent of the private-sector companies with revenues of \$1 billion or more, compared to less than one-third of the companies in the S&P 500. However, the upward trend for family businesses as a significant part of their national economies in emerging markets remain strong and will represent nearly 40 percent of the world's largest companies in 2025, up from 15 percent in 2010, which shows the growing importance of understanding Family Business and its sustainability in the long run in the midst of the current global scenario.

In this regard, the International Conference on Family Business and Entrepreneurship (ICFBE) 2018 is specifically established to be a leading international conference is championed by President University, a world-class higher education institution in Indonesia which was established to become a reputable research and development center in the region and to set a new benchmark in Indonesian higher education. This conference aims to gather researchers and practitioners to critically share and discuss the latest empirical, conceptual, as well as theoretical findings and trends in the field of Family Business, Entrepreneurship, Strategic Management, among others.

Unlisted but related sub-topics are also acceptable, provided they fit in one of the main topic areas as follow:

1. Sustainability of Family Business
2. Succession Planning and Family Conflicts
3. Professionalization and Family Culture
4. Entrepreneurship
5. Strategic Management

Bali, May 1st, 2018

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THE INFLUENCE OF WORKING CAPITAL MANAGEMENT TOWARD PROFITABILITY (STUDY IN RETAIL COMPANIES LISTING IN INDONESIA, MALAYSIA, AND SINGAPORE EXCHANGE IN PERIOD 2014-2016)

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ABSTRACT

This research objective is to identify the influence of average age of inventory (AAI), average collection period (ACP), average payment period (APP), current ratio (CR) toward profitability proxied by ROA of retail companies in Indonesia, Malaysia, and Singapore. This study has applied purposive sampling method and panel data where the data was collected from the official websites of IDX, MSE, and SGX in three years. An empirical evidence of this research indicates that AAI and ACP has significantly influence toward ROA in all research areas. However, APP has a positive insignificant effect to ROA in Singapore, while in Indonesia and Malaysia has negative insignificant effect to ROA. CR has the negative insignificant impact to ROA in Singapore, but negative significant in Indonesia and Malaysia. It shows that the profitability greatly influenced by the average age of inventory and collection period in all research areas.

Keywords: ROA, AAI, ACP, APP, CR

1. INTRODUCTION

Nowadays, competitive advantages are essential for the company, to maintain their business and keep the profit growing time by time. The company required to gain maximum profit and be able to survive in business environment that very competitive. In the process of achieving these goal in a company, managers often faced with many issues like technical, administrative, and financial (Rukmana, 2011: 1).

The company is a profit-driven. The company carries out the management function that include: planning, organizing, and controlling to achieve the company targets in making a profit. To achieve the company goals, working capital management (WMC) and effort to produce goods and services that are good enough to be offered into the market. The company doing several activities to optimize available of working capital.

WMC is part of the financing considerations that a finance manager of a corporation needs to determine (Ross, Westerfield and Jordan, 2010). Each company emphasized on maximizing profitability that can be generated from their business operation. WMC is the company used to fund the day-to-day operations. It is directly related to current assets (CA) and current liabilities (CL), and important components to affect the profitability in a company (Raheman,2008)

The efficiency of WMC involved planning and control of CA and CL, it is to reduce the risk of inability to meet CL and avoid exceeded investment in CA (Raheman,2008). High level of current assets in the company can be easily used for investment. Conversely, when a company has very little current assets then they will have difficulty in operational (Horne & Wachowics, 2010). Company has obligations in the short term to fulfill its liabilities, therefore cash stocks or liquid assets to meet the short-term requirements that are necessary to keep the company from everything that may occur. Also, working capital is a measure of the availability of current assets more than current liabilities, and shows the level of security for

short term creditor as well as guarantees continuity for future operations and the ability of the company to obtain additional short-term guarantee of current assets (Syahyunan, 2013).

Profitability is heavily depend on the working capital management, because an inefficient of Working capital management might lead to decrease the profitability and tend to financial crisis. A company would be survived in business environment by proper working capital management. Working capital management purposes is to provide companies success and its creditworthiness in paying the external debts and future operating expenses. (Siddiquee and Khan 2009).

According to Chatterjee (2012) found that negative relationship between profitability and working capital management for the Indian companies. Then, Makori and Jagongo (2013) analysed that the negative effect of working capital management on business profitability in Kenya. Singhaniaa (2017) identify the working capital management and profitability in nonfinancial companies from Sri Langka, Indonesia, Singapore, India, Malaysia and Thailand, the working capital management negatively effect to profitability. Then, for companies of Pakistan, China, Bangladesh, South Korea, Hong Kong Taiwan and Vietnam, the working capital is positively effects to profitability and negatively for Thailand. So, based on the research before the researcher interested to compare the impact of working capital that consists of average age of inventory (AAI), average collection period (ACP), average payment period (APP), and current ratio (CR) on profitability in retail company from Indonesia, Malaysia and Singapore.

In retail companies, the existence of working capital is expected to have an influence on the profitability of the company. This can be seen from the operation cycle that involved capital investment in inventory, receivables and accounts payable. Thus, the company's policy on working capital management will be influence at the level of profitability.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory explains the relationship between principal and agent to do some duties or services toward their interests, that is needs to do with appointing some authorities as in decision making (Jensen & Mecking,2010).The primary features that made agency theory interesting to researchers in the finance, economics and accounting area, that is explicitly allows us to incorporate conflict of interest.(Jensen &Meckling, 2010). Agency theory has been one of the important theoretical paradigms in finance and accounting during the past years. The relevance of agency theory to working capital management could be viewed from the perspective of financial manager, who takes charge of decisions regarding receivables, payables, inventories, stock and liabilities of a company and takes all the important decisions regarding all the current assets and liabilities of a business. (Williamson, 2009).

2.2. Risk Return Trade Off Theory

The risk and return theory is one of the important theories in the field of portfolio management. The risk is always connected in two conflicts. That are, the risk aversion and risk-seeking behavior. risk-averters are over estimate losses and underestimate gains. On the other hand, risk seekers always prefer choices a greater probability of a loss with over estimating gains. The main focus of risk-seekers is on the opportunities for gain (Yusuf & Nasrudin, 2015). However, to integrate the risk and return theory in working capital management, it is imperative to emphasize, the important decisions in working capital management is create a balance between liquidity and profitability, because, if the company does not care with the profit, then companies will not survive in long term. While, if the company forget the liquidity, the company will face *insolvency* and bankruptcy. So, the company needs to optimize composition and working capital management to create a balance between profitability and liquidity (Mannes,2011).

2.3. Component of Working Capital Management

1. Average age of inventory (AAI)

Inventory refers to the goods stocked for future use. Every retail company has its own warehouse to stock the merchandise to be used when the existing stock replenishes (Sing and Pandey, 2008). According to Kumaraswamy (2016) writes that inventory is a crucial focus in company, because the large investment will be involved. The companies struggle to maintain the optimal inventory to avoid potential losses in assets and increase the profitability. Small inventories will reduce short-term financing needs, thereby lower financing costs and improve profits. Also, the lower inventory needed to support the sales, the faster total asset turnover and higher the return on total assets. The inventory turnover can reduce potential obsolescence and resulting low price. According to Atrill (2012) a company refer to have shorter AAI because funds will be locked into the stock, then it cannot be reused for any other purposes except the stock is sold. Mainly the inventory carrying costs, fluctuation of demands, chances of supply shortages and cost of perishability, it should be taken care in reducing the time periods.

2. Average collection period (ACP)

Average collection period is a result from a company that selling its products or services on credit until the payment becomes useful funds for the company. When goods are shipped, inventory decreases and receivables arise. Average collection period involves managing the credit available to the customers, which are receiving, processing and collecting payments. The setting credit standards enables the effective management of credit and accounts receivable process. This process applying techniques for determining how much credit should be granted and which customer should receive the credit (Kumaraswamy,2016). ACP actually has two main parts. The first one related to manage credit derived from customers, and the second one related with collection and payment process. In managing accounts receivable, the company's goal is collecting receivables in fastest time without losing sales which caused intensive techniques of collecting receivables. To achieve this goal, the company needs an adequate receivables management system, in this case the system often called credit policy. Credit policy is a set of decisions or regulations of credit period, discount offered, credit standards, and collection policy. According to Gitman,(2008) the optimal credit policy is increasing the sales by the marginal costs of credit granted that maximizing the value of the company.

3. Average payment period (APP)

APP is the average time it takes by a company to pay its debts and expenses. The companies follow strategies in accounts payable to reduce the direct cost of trade credit as it average time taken to use funds (Berk, 2014). Accounts payable process would increase the future cash flow estimation and help the company to improve its liquidity, strengthen its working capital, mitigate potential funding gaps and achieve higher profits. When, sales increased. i.e. company allows customer to buy credit or increasing seasonal demand, accounts payable will increase to support increased purchase of inventory for higher level of productivity. In addition, increase in sales leads to increase the expenses, such as salaries and taxes, it caused increasing employee needs and tax income. Accounts payable and accrued expenses are two components funds appear from daily activities or called with spontaneous liabilities. Accounts payable and accrued expenses are short-term funds that company gets without have certain assets as collateral (mathuva,2009)

2.4. The Others Related Concept

1. Profitability

Profitability is a measure of the company to get profit which is related to sales, total assets, and capital. Profitability are important problem for the company and used as a reference to

success or not led by corporate leaders. The company' success can be seen from the ability of the company makes a profit by using available capital., expand the business and to compete in the market(Raharjaputra, 2009).According to Gitman (2013) said that profitability is the relationship between revenues and expenses generated by using current and fixed assets in productive activities. Then, Brigham and Houston (2011) stated that profitability is the result of a series of policies and decisions making. Managerial performance of each company will be able to say well if, the level of profitability high or in other words the maximum. Moreover, profitability is generally always being measured by comparing the profits with a number of estimates that a measure of success of the company.

2. Liquidity Ratio

The level liquidity of a company shows that how able the company to complete its obligations. In practically, deficiency of liquidity implies that the company cannot take the advantage of a discount or a profitable business opportunity, and inability to pay short-term liabilities or other obligations. This result can impact the sale of investments/assets, and led company in insolvency and bankruptcy (Wang,2002) in (Damarathi, 2008). To measure the level of liquidity of a company used current ratio. The lower CR may indicate that the company cannot pay its obligations in the future. Otherwise, the higher CR may indicate that the company has excess in current assets and show that management cannot take the advantages of assets optimally.

2.4. Hypothesis Development

In this study the predictability of working capital management on profitability by testing four developed hypotheses:

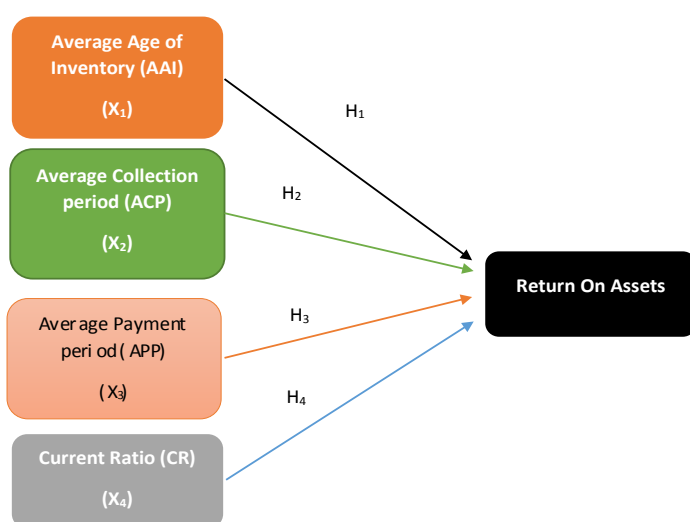
H₁: average age of inventory has negative effect toward return on assets.

H₂: average collection period has negative effect toward return on assets.

H₃: average payment period has negative effect toward return on assets.

H₄: average payment period has negative effect toward return on assets.

2.5 Theoretical Framework



3. METHODOLOGY

3.1 Research Design

This research uses quantitative method which is method that uses numbers to prove or disprove a hypothesis. In determining the sampling design, designing data collection instrument, and data analysis. The researcher will take sample from population, and by quantitative analysis. This research uses return on asset as dependent variable, AAI, ACP, APP and CR as independent variable.

3.2 research sample Collection

This research focused in retail company listed in the Indonesia, Malaysia and Singapore Stock Exchange period 2014-2016. A sample of 13 companies from Indonesia, 10 from Malaysia and 20 from Singapore have been selected in this study for the reason of data availability.

3.3 Definition of Dependent and Independent Variables

Profitability as dependent variable is measured by the return on asset ratio. ROA is Ratio that used to measure effectiveness management of company to gauge the capacity to create the profit (Akkizidis & Khandelwal, 2008). profitability will be able to support operational activities maximally. Then, independent variable represented by Average Age of Inventory (AAI) is the average times a company sell and replaces inventory for a certain period. The lower of inventory needed to support the sales, the faster asset turnover, then the return on assets will be higher (Kumaraswamy,2016). Average Collection Period (ACP) is average time it takes to start a sale with credit until payment received and become useful for the company (Kumaraswamy,2016). Average Payment Period (APP) is the average time it takes by a company to pay its debts and expenses. companies follow strategies such as accounts payable to reduce the direct cost of trade credit as it average time taken to use funds (Berk, 2014). Current ratio is a liquidity ratio that measures a firm's ability to pay off its current Liabilities with its current assets. The available cash resources to satisfy these obligations must come preliminary from cash or the conversion to cash of other current assets.

3.4 research model

The multiple regression analysis can be measured partially implied by coefficient of partial regression (Indriantoro and Supomo, 2009). The form of multiple linear regression equation as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

4. ANALYSIS OF DATA AND RESULT

4.1. Descriptive Analysis

Table 4.1. Descriptive Statistics of Indonesia

	AAI	ACP	APP	CR	ROA
Mean	94.23343	14.07558	65.31612	3.342780	0.079302
Median	83.52204	4.162911	58.27478	1.662517	0.044736
Maximum	219.8121	106.2389	176.3159	14.03005	0.457885
Minimum	21.33738	0.161285	8.021971	0.714117	-0.046588
Std. Dev.	51.93419	22.70898	46.45456	3.240710	0.120164
Skewness	0.750521	2.396639	0.881076	1.572181	2.102446
Kurtosis	2.857522	8.928222	3.233885	4.861193	6.681460

Table 4.2. Descriptive Statistics of Malaysia

	AAI	ACP	APP	CR	ROA
Mean	144.7196	52.40797	154.9951	1.984657	0.069825
Median	82.41696	50.84570	99.27582	1.618125	0.031732
Maximum	390.7809	138.9926	685.9339	4.906573	0.296782
Minimum	18.86868	12.12709	11.00211	0.398049	-0.031937
Std. Dev.	124.1924	38.20127	172.6284	1.190208	0.086749
Skewness	0.813164	0.910906	2.234141	0.851495	1.319092
Kurtosis	2.093721	3.033174	6.882084	3.255514	3.694962

Table 4.3. Descriptive Statistics of Singapore

	AAI	ACP	APP	CR	ROA
Mean	130.5331	48.88983	103.9826	2.365720	0.013055
Median	87.75123	26.43781	47.94362	1.960903	0.023770
Maximum	326.5106	175.8276	789.5831	6.785337	0.448492
Minimum	20.68724	7.000280	5.901014	0.287756	-0.408069
Std. Dev.	93.19145	43.07230	150.8493	1.431231	0.133723
Skewness	0.617357	0.975849	3.410237	1.030891	-0.618978
Kurtosis	2.065051	3.033623	15.30855	3.458422	7.101927

The data were taken from 2014-2016 and resulted in the total of 39 observations in retail companies in Indonesia. Means value return on assets from Indonesia is 7.93% with standard deviation 12%, the maximum value 45 % and minimum -4% from total assets company in a year. Average time required by retail company needs from Indonesia to receive payment after making a sale is 14.07 days with standard deviation 22.70 days. The max collection period that company need to receive payment on receivable is 106.23. while the minimum to collect their receivable is 0.16 days. Average time required by retail company needs to convert the inventory is 94.23 days with a standard deviation of 51.93 days. The maximum time needs to sell its inventory is 219.81 days. The average time that company delayed 65.31 days before paying for that purchase they do with a deviation of 46.45 days. Minimum time required the company in paying its debts is 8.02 days, this value is not ordinary. While the maximum time it takes the company to pay the debt is 176.31 days where this value is very large. The average company has the level of liquidity (current assets on Current liabilities) of 3.34 with a standard deviation 3.24 times.

The data were taken from 2014-2016 and resulted in the total of 30 observations in retail companies in Malaysia. Means value return on assets from Malaysia is 6.98% with standard deviation 8.67%, the maximum value 29% and minimum -3% from total assets company in a year. Average time needs from Malaysia to receive payment after making a sale is 52.40 days with standard deviation 38.20 days. The maximum collection period that company need to receive payment on receivable is 139. while the minimum to collect their receivable is 12.12 days. Average time required by retail company needs to convert the inventory is 144.71 days with a standard deviation of 124.19 days. The maximum time needs to sell its inventory is 390.78 days. The average time that company delayed is 155 days before paying for that purchase they do with a deviation of 172.62 days. Minimum time required the company in paying its debts is 11 days, this value is not ordinary. While the maximum time it takes the company to pay the debt is 685.93 days where this value is very long day. The average company has the level of liquidity (current assets on Current liabilities) of 1.98 with a standard deviation 1.2 times.

The data were taken from 2014-2016 and resulted in the total of 60 observations in retail companies in Singapore. Means value return on assets from Singapore is 1.3% with standard deviation 13%, the maximum value 44.8% and minimum -40% from total assets company in a year. Average time needs from Malaysia to receive payment after making a sale is 48.88

days with standard deviation 43.07 days. The maximum collection period that company need to receive payment on receivable is 175.82 days. while the minimum to collect their receivable is 7 days. Average time required by retail company needs to convert the inventory is 130.53 days with a standard deviation of 93.19 days. The maximum time needs to sell its inventory is 326.51 days. The average time that company delayed is 104 days before paying for that purchase they do with a deviation of 150.84 days. Minimum time required the company in paying its debts is 6 days, this value is not ordinary. While the maximum time it takes the company to pay the debt is 789.58 days where this value is very long days. The average company has the level of liquidity (current assets on Current liabilities) of 2.36 with a standard deviation 1.43 times.

Table 4.4. Multiple Regression Analysis of Indonesia

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.330685	0.042933	7.702292	0.0000
AAI	-0.000144	6.47E-05	-2.224365	0.0329
ACP	-0.002573	0.000455	-5.656627	0.0000
APP	-0.000185	0.000155	-1.190238	0.2422
CR	-0.029428	0.009033	-3.257729	0.0025
R-squared	0.326305	Mean dependent var		0.079302
Adjusted R-squared	0.239376	S.D. dependent var		0.120164
S.E. of regression	0.104800	Akaike info criterion		-1.976053
Sum squared resid	0.221310	Schwarz criterion		-1.756120
Log likelihood	40.56896	Hannan-Quinn criter.		-1.899291
F-statistic	9.947793	Durbin-Watson stat		0.624378
Prob(F-statistic)	0.000027			

Source: e views 9.5

According to the result, Constanta value is 0.330685 which means if all the independent variables value is zero the amount of return on assets be 0.330685. The t-test result presents that AAI, ACP, and CR have partially significant to return on assets which 0.0329 for AAI, 0.0000 for ACP, and 0.0025 for CR. One of variable did not have significant effect to return on assets, average payment period is 0.2422. Thus, three of independent variables effects profitability (ROA). From Indonesia hypothesis 1,2,4 are accepted, but hypothesis 3 is rejected because the value is higher than $\alpha = 0.05$. Then, the value of autocorrelation test is 0.624378. The result of this statistic test describes the amount of Durbin-Watson is between -2 to +2 ($-2 \leq DW \leq +2$) (Santoso, 2010). Therefore, it means Durbin-Watson test in this research indicated that there was no autocorrelation in this regression model. According to this F-test result, the significant value is 0.000027, it shows that independent variables present by as AAI, ACP, APP, and CR simultaneously effect return on assets. Every transformation of independent variables simultaneously will give influence to return on assets of retail company in Indonesia. After that, if the value of coefficient determination is getting near to 1, it shows that how many kinds of variation from dependent variable explained by independent variable. Based on the table above, a coefficient determination is 24%. It means the independent variables simultaneously can describe 24% of the dependent variable, while the remaining 76% is explained by other factor which are excluded in this research.

Table 4.5. Multiple Regression Analysis of Malaysia

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.333386	0.043859	7.601280	0.0000
AAI	-0.000180	8.67E-05	-2.081832	0.0450
ACP	-0.002612	0.000458	-5.702737	0.0000
APP	-0.000169	0.000156	-1.080012	0.2877
CR	-0.030116	0.009128	-3.299238	0.0023
R-squared	0.587227	Mean dependent var		0.069825
Adjusted R-squared	0.521183	S.D. dependent var		0.086749
S.E. of regression	0.060027	Akaike info criterion		-2.827678
Sum squared resid	0.074445	Schwarz criterion		-2.594145
Log likelihood	47.41516	Hannan-Quinn criter.		-2.752968
F-statistic	12.07169	Durbin-Watson stat		1.289506
Prob(F-statistic)	0.000013			

Source: *e views 9.5*

According to the result, Constanta value is 0.333386 which means if all the independent variables value is zero the amount of return on assets be 0.333386. The t-test result presents that AAI, ACP, and CR have partially significant to return on assets which 0.0450 for AAI, 0.0000 for ACP, and 0.0023 for CR. One of variable did not have significant effect to return on assets, average payment period is 0.2877. Thus, three of independent variables effects profitability (ROA). From Malaysia hypothesis 1,2,4 are accepted, but hypothesis 3 is rejected because the value is higher than $\alpha = 0.05$. Based on the table above, the value of autocorrelation test from Malaysia is 1.289509. this value is lower than 2. It means that the regression model has no tendency of the existence of autocorrelation. According to the F-test result, the significant value is 0.000013, it shows that independent variables present by as AAI, ACP, APP, and CR simultaneously effect return on assets. Based on the table above, a coefficient determination is 52%. It means the independent variables simultaneously can describe 52% of the dependent variable, while the remaining 48% is explained by other factor which are excluded in this research.

Table 4.6. Multiple Regression Analysis of Singapore

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.271091	0.064363	4.211925	0.0001
AAI	-0.000132	6.48E-05	-2.042162	0.0478
ACP	-0.003131	0.000500	-6.256762	0.0000
APP	0.000168	0.000311	0.539777	0.5923
CR	-0.015550	0.014004	-1.110393	0.2735
R-squared	0.284651	Mean dependent var		0.022731
Adjusted R-squared	0.232626	S.D. dependent var		0.130969
S.E. of regression	0.114729	Akaike info criterion		-1.412835
Sum squared resid	0.723949	Schwarz criterion		-1.238306
Log likelihood	47.38504	Hannan-Quinn criter.		-1.344567
F-statistic	5.471395	Durbin-Watson stat		1.744600
Prob(F-statistic)	0.000881			

Source: *e views 9.5*

According to the result, Constanta value is 0.271091 which means if all the independent variables value is zero the amount of return on assets be 0.271091. The t-test result presents that AAI and ACP have partially significant to return on assets which 0.0478 for AAI, 0.0000 for ACP. Another two variables did not have significant effect to return on assets, APP is 0.5923 and CR is 0.2735. Thus, half of independent variables effects profitability (ROA).

From Indonesia hypothesis 1 and 2 are accepted, but hypothesis 3 and 4 are rejected because the value is higher than $\alpha = 0.05$. The result from autocorrelation test is lower than 2. That is 1.744600. moreover, the regression model has free from autocorrelation. According to the result, the significant value is 0.000881, it shows that independent variables present by as AAI, ACP, APP, and current assets simultaneously effect return on assets. Based on the table above, a coefficient determination is 23%. It means the independent variables simultaneously can describe 23% of the dependent variable, while the remaining 77% is explained by other factor which are excluded in this research.

Summary of Relationship and Significance

Dependent variable: return on assets				
variables	Predicted sign	Resulted sign		
		INDONESIA	MALAYSIA	SINGAPORE
AAI	-	- significant	- significant	- significant
ACP	-	- significant	- significant	- significant
APP	-	- insignificant	- insignificant	+ insignificant
CR	-	- significant	- significant	- insignificant

4.2 Result Interpretation

Average Age of Inventory (AAI)

The first hypothesis stated that “average age of inventory has negative effect toward return on asset” and this hypothesis is accepted. This result consistent with research conducted by Rezazadeh and Heidarian (2010) that the companies can increase the valuation by decreasing the AAI and the profitability can be improved. Furthermore, the higher of inventories days will have negative effect on the profitability. Garcia-Teruel and Martinez-Solano (2009) stated that, the managers could create value by reducing their AAI for which their accounts are outstanding to increase their profitability. Reinforced by Atrill (2010) a company refer to have shorter AAI because funds will be locked into the stock, then it cannot be reused for any other purposes except if the stock is sold. The same result stated by Raheman (2008) in non-financial companies in Pakistan. The inventory policies will affect the profitability of the company, the longer time required to sell its products will decrease the levels of sales and profitability. Then, AAI negative influence can be caused the inventory is the primary working capital which directly affect the operating cycle. In retail companies, the advantages can be achieved if the company sells products. Therefore, inventory levels affect the level of profitability. From the table above it can be seen that the negative influence significantly in the retail companies Indonesia, Malaysia, and Singapore.

Average Collection Period (ACP)

The second hypotheses states that “average collection period has negative effect toward return on asset”. Based on the table which shows the negative effect and significant value of 0.0000 in Indonesia, Malaysia, and Singapore this hypothesis is accepted. ACP has a negative influence to the profitability of the company. These negative effects indicates that financial managers can improve the profit by accelerating time or decreasing the investment in

receivables Chatterjee (2012). Based on study from Iranian conducted by Rezazadeh and Heidarian (2010) stated that, companies can increase the valuation by decreasing the ACP to get more profitability. Then, Mathuva (2009) said that there are negative and highly significant effect between ACP and the profitability. Reinforced with Falope and Ajilore (2009) found that a significant negative relationship between profitability and ACP. Furthermore, the faster Cash inflow (accounts receivable collected into cash) occurred in the company, the higher ability of the company to take an opportunity to increase the profits. Otherwise, the longer company receive accounts receivable, then the bigger investment in working capital. Furthermore, the cash locked in receivables and can not be used to invest as it has been described before (raheman,2008)

Average Payment Period (APP)

Based on the research results, APP has a negative effect on the profitability of the company in Indonesia and Malaysia. the result is consistent with research conducted by Eljelly (2004) The results found that there is a negative relationship between profitability and receivable days, inventory turnover days, and payable days for the Saudi companies. Also, Falope and Ajilore (2009) found that a negative relationship between profitability and APP. Otherwise, the result is not a significant factor in increasing profitability. Consistent with research in Saudi Cement Companies conducted by Almazari (2013) writes that negative effect and insignificant relationship between APP and profitability. The retail company which belong to Indonesia and Malaysia highly sensitive to macroeconomic factors, such as exchange rate of currency, inflation and interest rates i.e. rupiah and ringgit toward dollar fluctuate, it can increase the value of corporate debt denominated in dollar, when the rupiah and ringgit weakened. In these case, the bigger value of debt will lead to increase expense, decreasing the profitability, and will be a long delay debt payments. Deloof (2003) in Chatterjee (2012) suggests that the direction of the relationship and influence negative of APP to profitability represented that the companies with lower profit levels will delay payment of its debts in longer time. On the other hand, Singapore has positive effect on profitability, its indicate that when company delay payment of its debts in longer time without disturb the credit rating, it will increase the profitability. The future earnings of retail companies in Singapore is relatively stable, so better companies delay the payment of debts until the end of the credit term and use existing assets to regenerate profit. Also, the quality of products will be cheap and flexible source of financing, if the company post pone the payments to suppliers (Ng et al., 1999 and Wilner, 2000) in Chatterjee (2012).

Current Ratio (CR)

In this study also generated that the level of liquidity of the company (CR) has negative impact of a company's profitability. The result is consistent with research conducted by Eljelly (2004) examined the relation between profitability and liquidity in Saudi Arabia. They found a negative relationship between profitability and liquidity. It was observed that there was great variation among industries with respect to the significant measure of liquidity. The retail company in Indonesia and Malaysia the influence of CR to ROA is negative and significant. Olagunju et al. (2011) stated that profitability is negatively influenced and significant by liquidity in Canadian. This liquidity has a close relationship with profitability, because liquidity shows the available of working capital needed in operational activities. The higher liquidity the lower profitability and the lower the liquidity the higher the profitability (Nurdianti,2016). On the other hand, in Singapore, it can be seen that the liquidity negatively affected by profitability, but the effect is not significant. The higher liquidity is not always profitable because it is likely to generate idle funds that can actually be used to invest in projects that benefit the company (Van Horne, 1998). Insignificantly relationship between CR and ROA in Singapore can be caused the insensitivity of companies on macroeconomic factors to make the profitability tend to be stable. When a stable profit levels and

circumstances the company is not overly sensitive to macroeconomic factors than the Companies in Indonesia and Malaysia.

4.3 Implication

The different countries have different market dynamics and companies operating. This research might be helpful for companies which presented in different and domestic countries to enter into the market. Generally, in different countries may not succeed by following a policy of working capital management across all of them. According to this study, the working capital is positively effects on ROA for one country and negatively effects for other countries.

This research observed the relationship between profitability and working capital in Indonesia, Malaysia, and Singapore may improve their profitability by maintaining working capital management at optimum level. For companies in Indonesia, Malaysia, and Singapore with higher level of working capital represent by AAI, ACP, APP could be horrible performance by decreasing their profitability. On the other hand, APP in Singapore may bring an appreciation in increasing the profitability by maintain lengthens days of APP. Therefore, this research may guide the role to help managing the AAI, ACP, APP, and CR appropriately in accordance with the statistics of the markets that planning to get into. This research could be a reference for owners or managers, and entrepreneur for better planning and performance. So, all of this companies could get maximum profitability.

5. CONCLUSION AND RECOMMENDATION

From the results can be concluded that there are a negative and positive influence significant between the working capital management that represent by AAI, ACP, APP, and liquidity on profitability operational companies represented by ROA of retail company in Indonesia, Malaysia, and Singapore. This result indicates that the working capital policy will has a significant effect on operational profitability. These results apply to all research areas. The authors prove the consistency of previous research results on the negative effects of AAI and ACP to profitability in all research areas.also, the negative influence of APP on profitability in the retail company in Indonesia and Malaysia. Otherwise, APP in Singapore has positive influence on profitability. can be caused the insensitivity of companies on macroeconomic factors. So, better companies delay the payment of debts until the end of the credit term and use existing assets to regenerate profit.In this study also found the negative effects of liquidity represented by CR on the profitability. The effect of CR on profitability is significant in the research area retail company in Indonesia and Malaysia. However, it is not significant in Singapore.

From the description that already explained before it can be concluded there are similarities between Indonesia and Malaysia as developing countries. Both of them has sensitivity on macroeconomics factors and lower profit and tend to have higher liquidity, to avoid the bankruptcy and insolvency. In other side, Singapore as developed country has profitability that tend to be stable. The higher of company gets a profit, it can impact the liquidity to pay its liabilities without have higher liquidity. Moreover, the main goal in a company is to achieve prosperity and one of them by always maximizing profit to survive in long term. Therefore, every company must aim to find a high profitability and have liquidity to meet its obligations.

The following research is expected to use more the number of t (*time-series*). For example, using quarterly data, this is to be more illustrative fluctuations and changes in working capital management conditions and variables related to a company. Further research can also be done on different sectors of the company and not just limited to public companies only.

The limitations of this study are first, the sample used in this research depends on the completeness of the data available in retail companies listed in IDX, MSE, and SGX for period 2014-2016. but there are several companies which is difficult to obtain the annual report. Second, for APP variables there are several versions of the formula provided in the theoretical books financial management. In the reference journal, the variables of APP are obtained by the formula (Account Payable / Purchases), but not all companies mention explicit nominal purchases made in the year, so use the Payable Deferral Period formula is easier to calculate, because of its accounts available directly on the balance sheet.

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