# The Effect of Working Capital Management on Financial Performance Companies with Liquidity as Mediation in Trading Companies on the Indonesia Stock Exchange (IDX)

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**Abstract.** This study aims to determine the impact of working capital management on the company's financial performance through liquidity as a mediation in trading company on the IDX. The population in this study are trading companies listed on the Indonesia Stock Exchange for the period 2016 to 2020 using secondary data. The sampling technique used was purposive sampling. The number of samples in this study were 215 samples. The data analysis method used is SEM, namely path analysis with the help of the SPSS AMOS 22 program. The results show that the cash conversion cycle has a significant and negative effect on financial performance, the inventory period has a significant and negative effect on financial performance, the receivable period has a significant and negative effect on financial performance, the payable period has no and no significant effect on financial performance, the cash conversion cycle has no and no significant effect on liquidity, the inventory period has no and no significant effect on liquidity, the receivable period has a significant and positive effect on liquidity, the payable period has a significant and positive effect on liquidity, liquidity cannot mediate the relationship between the cash conversion cycle on financial performance, liquidity cannot mediate the relationship between inventory period and financial performance, liquidity can mediate the relationship between the receivables period on financial performance, liquidity can mediate the relationship between the payable period on financial performance, liquidity has a significant and positive effect on financial performance.

**Keywords:** Cash Conversion Cycle · Inventory Period · Receivable Period · Payable Period · Liquidity · Financial Performance

## 1 Introduction

The Covid-19 pandemic has had a tremendous impact on the world economy, including the country of Indonesia. The rate of global economic growth is predicted to decline to a negative level at the end of 2019 until the middle of 2020. In 2020, the contribution of the


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**Table 1.** Average ROA of Trade Sector

| No | Sector | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| 1 | Trade | 9.15% | 9.9% | 7.85% | 6.85% | 4.65% |

*Source: Indonesia Stock Exchange (www.IDX.com) data reprocessed*

trade sector to gross domestic product (GDP) will increase in the third quarter of 2020. Trade is also one of the five main pillars of GDP that grew significantly during this period (kemenperin.go.id, 2020). The increasing economy encourages companies in Indonesia to improve their performance in order to be able to achieve the expected profit and be able to maximie shareholder value, one of which is by looking at the financial statements of the company. Financial performance is the company's achievement shown in the financial statements (Rudianto, 2013). Good financial performance is very important for a company, because it reflects the success and survival of the company (Suryawan and Suryanawa, 2016). Assessment of the company's financial performance can be done by analying the financial statements to determine the condition of the company on a regular basis, through financial ratios such as *Return On Assets* (ROA).

The following is Table 1 which shows the average *Return On Assets* for trading companies listed on the Indonesia Stock Exchange during 2016–2020.

Based on Table 1, the average ROA of the trade sector in 2016–2020 fluctuated up and down. This fact shows that there is a problem with the ROA of the trade sector, most of which tend to decrease due to a decrease in sales so that the inventory of unsold goods will increase as well as uncollectible accounts and unpaid debts, so it is necessary to do research to find out the cause of the decline in ROA in the trade sector. One of the efforts that can be done is with efficient working capital management. Working capital is the capital used to finance all operational activities of the company. Optimiation of working capital will affect the company's performance so as to increase the profit and value of the company (Deloof in Lyngstadaas and Berg, 2016).

The availability of optimal working capital will affect the company's activities such as well-maintained liquidity conditions (Yadanfar and Ohman, 2014). Liquidity according to Kasmir (2012) is a ratio that shows the company's ability to meet obligations or pay short-term debt. This means that if the company is billed, the company will be able to meet the debt, especially debt that is due. The higher the liquidity, the better the company's position in the eyes of creditors. Because there is a greater possibility that the company will be able to pay its obligations on time (Horne in Yadanfar and Ohman, 2014). According to Roni and Djumahir (2018) in their research, high liquidity indicates that the company has maximied the potential of funding sources from loans to improve the company's financial performance. However, if the use of these funds does not provide returns that are much greater than the cost of borrowing, this will lead to a lack of liquidity which has an impact on financial performance.

Working capital has an important role in generating company profits. One of the elements of working capital is cash. The length of time or period required to convert any cash issued into cash inflows in the company's operational activities is called the cash conversion cycle (Tran et., al, 2017; Lyngstadaas and Berg, 2016; Pais and Gama, 2015). Working capital which is measured through the cash conversion cycle will be able to increase or decrease the value of the company. This is because a short cash conversion cycle will increase the company's sales which in turn will improve the company's financial performance.

The measurement of the cash conversion cycle consists of three main components, namely the inventory period, the receivable period, and the payable period. The inventory period is a financial measure of the company's performance which shows the time needed by the company from the start of purchasing raw materials until the company is able to sell its products to consumers (Ross et al., 2015). The receivable period is the average time required by the company from the start of making sales in the form of credit until the company receives the payment process from consumers in the form of cash and can be recognied as revenue for the company (Ross et al., 2015). According to Ross el al., (2015) The debt period is the average time needed by the company when it receives raw materials for products from suppliers until the company is able to pay or pay off the purchase of these raw materials to suppliers.

The importance of this research is to find out how effectively the use of working capital in trading companies will affect the company's financial performance. The difference between this research and previous research is that it adds a liquidity variable as a mediating variable. This study analyses the role of working capital management on financial performance with liquidity as a mediation in trading companies on the IDX, which is formulated in the form of research questions as follows (1) How does the cash conversion cycle affect on the company's financial performance on a trading company on the IDX? (2) How does the inventory period affect on the company's financial performance on a trading company on the IDX? (3) How does the receivable period affect on the company's financial performance on a trading company on the IDX? (4) How does the payabel period affect on the company's financial performance on a trading company on the IDX? (5) How does the cash conversion cycle affect to liquidity on a trading company on the IDX? (6) How does the inventory period affect to liquidity on a trading company on the IDX? (7) How does the receivable period affect on the liquidity of trading companies on the IDX? (8) How does the payabel period affect on the liquidity of trading companies on the IDX? (9) How liquidity mediates the effect of the cash conversion cycle on the company's financial performance on a trading company on the IDX? (10) How liquidity mediates the effect of inventory period on the company's financial performance on a trading company on the IDX? (11) How does liquidity mediate the effect of the receivable period on the company's financial performance on a trading company on the IDX? (12) How does liquidity mediate the effect of payabel periods on the company's financial performance on a trading company on the IDX? (13) How is the effect of liquidity on the company's financial performance of trading companies on the IDX?

## 2 Literature Review

*Financial Performance*

According to Sucipto (2003) the notion of financial performance is the determination of certain measures that can measure the success of an organiation or company in generating profits. According to Munawir (2004), there are four objectives of measuring the company's financial performance, namely (1) Knowing the level of liquidity (2) Knowing the level of solvency (3) Knowing the level of profitability or profitability (4) Knowing the level of stability. The performance measurement indicator used is *Return On Assets* (ROA). According to Kasmir (2012) *Return on assets* (ROA) is a profitability ratio that describes how well management uses the company's assets to generate profits. ROA values that increase or remain high indicate that the company is able to manage its assets well. The higher the value of the *return on assets*, the more efficient the management in managing the company's assets.

*Liquidity*

According to Kasmir (2015) the liquidity ratio is a ratio that describes the company's ability to meet short-term obligations. Higher liquidity indicates that the company will be able to pay off its short-term obligations on time. If the company's ability to generate profits increases, the company's ability to pay short-term debt will increase. The liquidity measurement indicator used is the *Current Ratio* (CR). According to Kasmir (2011) *Current Ratio* is one of the liquidity ratios, namely the ratio that aims to measure the ability of a company to meet its short-term obligations. The higher the CR of a company, the smaller the risk of the company's failure to meet its short-term obligations.

*Working Capital Management*

Capital management is investment management in current assets (Kasmir, 2017) and corporate financing (CFA Institute, 2018). Such as cash, inventories, receivables, accounts payable, short-term liabilities, and others. The purpose of Working Capital Management is to manage current assets and current liabilities and ensure the level of liquidity or company strength (CFA Institute, 2018). Efficient working capital management will increase cash flow owned by the company, so that the company will have a greater opportunity or opportunity to invest in other factors that can improve the company's performance and also the value of the company. Efficient working capital management will also help companies anticipate and respond to market changes, such as fluctuations in raw material prices, changes in interest rates, and others (Appuhami, 2008). The working capital measurement indicators used are (1) Cash conversion cycle (2) Inventory period (3) Receivable period (4) Payable period.

## 3 Research Methods

The population used in this study are all trading sector companies listed on the Indonesia Stock Exchange. This study uses an observation year for five years, namely from 2016 – 2020. The sample selection in this study used *purposive sampling method*. From the results of purposive sampling obtained as many as 43 trading companies multiplied by 5 years of observation. Thus, the total sample of this study is 215 companies in the year of observation.

Data collection techniques used in this research are literature study and documentation study. Literature study is a way of collecting data through library media in the form of collecting books, journals, Indonesia Stock Exchange (IDX), and other literature related to the problem being studied. The method of documentation is data and recording the data needed in this research. The data analysis technique used in this study is *Path Analysis* with the help of AMOS 22 software.

## 4 Results and Discussion

*Research Result*

This data has passed the descriptive statistical test stage and the classical assumption test including normality, multicollinearity, autocorrelation and heteroscedasticity. From this test, it was found that all data had passed the test.

*Path Analysis Test*

Path Analysis Test aims to examine the relationship between the hypothesied variables. Based on the results of the processing that has been done, the diagram is path analysis shown in Fig. 1.

Based on Fig. 1 the path diagram, the following Table 1 is a direct and indirect influence between research variables.

The following Table 2 which is the result of Squared Multiple Correlations.

Based on Table 2 the results of the Square Multiple Correlations for the liquidity mediating variable are 0.248 or 24.8%, which means that the exogenous ability variables of cash conversion cycle (X1), inventory period (X2), receivable period (X3) and payable period (X4) can explaining the endogenous financial performance variable is 54.8% while the rest is influenced by other factors (Table 3).

Based on Table 9, the results of Square Multiple Correlations for the endogenous variable of financial performance are 0.539 or 53.9% which means that the exogenous effect of variable cash conversion cycle (X1), inventory period (X2), receivable period (X3) and payable period (X4) is simultaneous (together) can explain the endogenous financial performance variable is 53.9% while the rest is influenced by other factors.

*Hypothesis Test*

Based on the processing carried out using AMOS 22, the following are Table 3 and Table 4 which are the results of hypothesis testing (Table 4).

Hypothesis 1: The results of testing the first hypothesis aim to determine the direct effect of the cash conversion cycle on financial performance, it is known that the cash conversion cycle variable has a negative estimate of -0.801 and has a negative CR of -2.617 > 1.96, and a probability value of 0.006 < 0.05. Thus, the cash conversion cycle has a significant and negative effect on the financial performance of trading companies on the IDX. So that hypothesis 1 is accepted (Table 5).

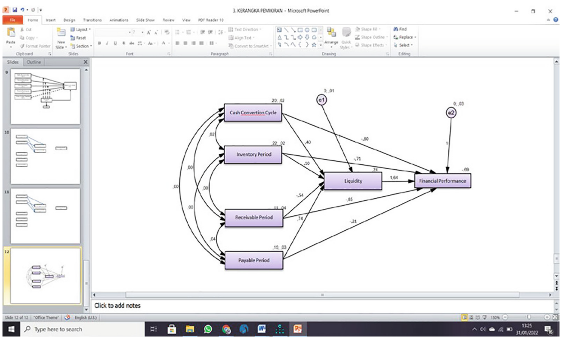


**Fig. 1.** Path Analysis Model. Source: Data Processing Results, 2021

**Table 2.** Direct and Indirect Influence

| Variable | | | Estimate | Connection |
|---|---|---|---|---|
| Financial Performance | < --- | Cash Convertion Cycle | -0,801 | Direct |
| Financial Performance | < --- | Inventory Period | -0,706 | Direct |
| Financial Performance | < --- | Receivable Period | -0,851 | Direct |
| Financial Performance | < --- | Payable Period | -0,213 | Direct |
| Liquidity | < --- | Cash Convertion Cycle | 0,047 | Direct |
| Liquidity | < --- | Inventory Period | 0,096 | Direct |
| Liquidity | < --- | Receivable Period | 0,542 | Direct |
| Liquidity | < --- | Payable Period | 0,739 | Direct |
| Financial Performance | < --- | Liquidity | 1,638 | Direct |
| Financial Performance < --- Liquidity < --- Cash Convertion Cycle | | | 0,039 | Indirect |
| Financial Performance < --- Liquidity < --- Inventory Period | | | 0,074 | Indirect |
| Financial Performance < --- Liquidity < --- Receivable Period | | | -0,709 | Indirect |
| Financial Performance < --- Liquidity < --- Payable Period | | | 0,851 | Indirect |

Source: Data Processing Results, 2021.

**Table 3.** Square Multiple Correlations Results

| | Estimate |
|---|---|
| Liquidity | 0,248 |
| Financial Performance | 0,639 |

Source: Data Processing Results, 2021

Hypothesis 2: In the second hypothesis testing stage which aims to determine the direct effect of the inventory period on financial performance, it is known that the inventory period variable has a negative estimated value of -0.706 and has a negative CR of -2.028 $>$ 1.96 and a probability value of 0.033 $<$ 0.05 . Thus, the inventory period has a significant and negative effect on the financial performance of trading companies on the IDX. So that hypothesis 2 is accepted.

Hypothesis 3: The results of testing the third hypothesis aim to determine the direct influence of the receivable period on financial performance, it is known that the receivable period variable has a negative estimate of -0.851 and has a negative CR of -2.025 $>$ 1.96, and a probability value of 0.043 $<$ 0.05. Thus, the period of receivables has a significant and negative effect on the financial performance of trading companies on the IDX. So that hypothesis 3 is accepted.

Hypothesis 4: In the fourth hypothesis testing stage which aims to determine the direct effect of the debt period on financial performance, it is known that the debt period

**Table 4.** Regression Wight

| Hypothesis | Est. | S.E. | C.R. | P | Result |
|---|---|---|---|---|---|
| Financial Performance < --- Cash Convertion Cycle | -0,801 | 0,459 | -2,617 | 0,006 | Received |
| Financial Performance < --- Inventory Period | -0,706 | 0,427 | -2,028 | 0,033 | Received |
| Financial Performance < --- Receivable Period | -0,851 | 0,420 | -2,025 | 0,043 | Rejected |
| Financial Performance < --- Payable Period | -0,213 | 0,559 | -0,381 | 0,703 | Rejected |
| Liquidity < --- Cash Convertion Cycle | 0,047 | 0,262 | 0,179 | 0,858 | Rejected |
| Liquidity < --- Inventory Period | 0,096 | 0,294 | 0,326 | 0,744 | Received |
| Liquidity < --- Receivable Period | 0,542 | 0,190 | 2,857 | 0,004 | Received |
| Liquidity < --- Payable Period | 0,739 | 0,222 | 3,320 | 0,000 | Received |
| Financial Performance < --- Liquidity | 1,638 | 0,152 | 10,753 | 0,000 | Received |

Source: Data Processing Results, 2021

variable has an estimated value of -0.213 and has a CR of -0.381 $< 1.96$ and a probability value of 0.703 $> 0.05$. Thus, the debt period has no and no significant effect on the financial performance of trading companies on the IDX. So that hypothesis 4 is rejected.

Hypothesis 5: The results of testing the fifth hypothesis which aims to determine the direct effect of the cash conversion cycle on liquidity, it is known that the cash conversion cycle variable has an estimated value of 0.047 and has a CR of 0.179 $< 1.96$ and a probability value of 0.858 $> 0.05$.Thus, the cash conversion cycle has no and no significant effect on liquidity in trading companies on the IDX. So that hypothesis 5 is rejected.

Hypothesis 6: In the sixth hypothesis testing stage which aims to determine the direct effect of the inventory period on liquidity, it is known that the inventory period variable has an estimated value of -0.096 and has a CR of 0.326 $< 1.96$ and a probability value of 0.744 $> 0.05$. Thus, the inventory period has no and no significant effect on the liquidity of trading companies on the IDX. So that hypothesis 6 is rejected.

Hypothesis 7: The results of testing the seventh hypothesis aim to determine the direct effect of the receivable period on liquidity, it is known that the receivable period variable has an estimate of -0.542 and has a CR of 2.857 $> 1.96$, and a probability value of 0.004 $< 0.05$. Thus, the period of receivables has a significant and positive effect on liquidity in trading companies on the IDX. So that hypothesis 7 is accepted.

Hypothesis 8: In the eighth hypothesis testing stage which aims to determine the direct effect of the debt period on liquidity, it is known that the debt period variable has an estimated value of 0.739 and has a CR of 3.320 $> 1.96$ and a probability value of 0.000 $< 0.05$. Thus, the debt period has a significant and positive effect on liquidity in trading companies on the IDX. So that hypothesis 8 is accepted.

Hypothesis 13: The results of testing the thirteenth hypothesis aim to determine the direct influence of liquidity on financial performance, it is known that the liquidity variable has an estimate of 1.638 and has a CR of 10,753 $> 1.96$, and a probability value

**Table 5.** Standardied Effects

| Hypothesis | | | *Total Effect* | *Direct Effect* | *Indirect Effect* |
|---|---|---|---|---|---|
| Financial Performance | < --- | Cash Convertion Cycle | -0,069 | -0,109 | 0,039 |
| Financial Performance | < --- | Inventory Period | -0,023 | 0,097 | 0,074 |
| Financial Performance | < --- | Receivable Period | -1,388 | -0,679 | -0,709 |
| Financial Performance | < --- | Payable Period | 1,414 | 0,563 | 0,851 |

*Source: Data Processing Results, 2021*

of 0.000 < 0.05. Thus, liquidity has a significant and positive effect on the financial performance of trading companies on the IDX. So that hypothesis 13 is accepted.

Hypothesis 9: In the ninth hypothesis testing stage which aims to test the indirect effect, it is known that the liquidity variable is not able to mediate the relationship between the cash conversion cycle and financial performance, this is because the estimated value of the indirect effect is 0.039 which is smaller than the direct effect of 0.069. Thus it can be concluded that liquidity will not encourage the cash conversion cycle to improve financial performance. So that through liquidity, the cash conversion cycle has no and no significant effect on the financial performance of trading companies on the IDX. So that hypothesis 9 is rejected.

Hypothesis 10: At the stage of testing the tenth hypothesis which aims to test the indirect effect, it is known that the liquidity variable is not able to mediate the relationship between the inventory period and financial performance, this is because the estimated value of the indirect effect is 0.074 which is smaller than the direct effect of 0.097. Thus it can be concluded that liquidity will not encourage the inventory period to improve financial performance. So that through liquidity, the inventory period has no and no significant effect on the financial performance of trading companies on the IDX. So that hypothesis 10 is rejected.

Hypothesis 11: In the eleventh hypothesis testing stage which aims to test the indirect effect, it is known that the liquidity variable is able to mediate the relationship between receivables period and financial performance, this is caused by an indirect assessment of 0.709 which is greater in direct influence of 0.679. Thus it can be said that liquidity can encourage the relationship period of activity to improve financial performance. So that through liquidity, periods that have a significant and negative effect on the financial performance of trading companies on the IDX. So that hypothesis 11 is accepted.

Hypothesis 12: At the stage of testing the twelfth hypothesis which aims to test the indirect effect, it is known that the liquidity variable is able to mediate the relationship between the debt period and financial performance, this is because the estimated value of the indirect effect is 0.851 which is greater than the direct effect of 0.563. Thus it can be concluded that liquidity can encourage the relationship of debt periods to improve financial performance. So that through liquidity, the debt period has a significant and negative effect on the financial performance of trading companies on the IDX. So that hypothesis 12 is accepted.

## 5 Discussion

Cash Conversion Cycle (CCC) has a significant and negative effect on financial performance as measured by Return On Assets (ROA). This indicates that companies that have a shorter cash conversion cycle (CCC) will be able to improve the company's financial performance. The short cash conversion cycle means that the company's cash turnover is faster and the available cash balance is less, thus the amount of working capital embedded in cash is also getting less. Fast cash flow means that the company does not have over investment and minimies idle cash so that financial performance can improve. This means that if the company wants to improve performance, the company must shorten the cash conversion cycle. The results of this study support research conducted by Pais and Gama (2015) and research by Lyngstadaas and Berg (2016) which states that the cash conversion cycle has a significant and negative effect on the company's financial performance.

Inventory Period (INV) has a significant and negative effect on financial performance as measured using Return On Assets (ROA). This shows that at a high level of inventory period, it means that there is a high sales transaction of goods as well. With a high level of inventory period, it can reduce costs or risks borne such as price declines, maintenance costs, storage costs, and changes in consumer tastes so that the company will generate high sales volume. As a result, the profits to be earned by the company will increase. The longer the inventory turnover period, the more costs must be incurred by the company to maintain good inventory in the warehouse. The faster the inventory period, the company's financial performance will increase, and the longer the inventory period, the lower the company's financial performance level. The results of this study support research conducted by Lyngstadaas and Berg (2016), Bhatia and Srivastava (2016) and research by Tran, Abbot and Yap (2017) which states that the inventory period has a significant and negative effect on the company's financial performance.

Receivable Period (AR) has a significant and negative effect on financial performance as measured using Return On Assets (ROA). This shows that companies with short receivable periods will increase their financial performance. This is because it is less likely for bad debts and cash to return to the company quickly because it has been repaid by the customer. In relation to working capital, the shorter receivables period means that the company invests less funds in the form of receivables. Besides that, the faster receivables period is an indication that the company can increase its sales, because the shorter receivables period causes a decrease in bad debts which will also have an impact on improving the company's financial performance. The results of this study support research conducted by Pais and Gama (2015), Lyngstadaas and Berg (2016) and Tran, Abbot and Yap (2017) which state that the receivable period has a significant negative effect on the company's financial performance.

Payable Period (AP) has no and no significant effect on financial performance as measured by Return On Assets (ROA). The period of debt measured using the Payables Period (AP) in this study does not affect the company's financial performance. From the results obtained, due to the greater or longer the payment of debt, the company may deliberately extend the length of payment to get various benefits first. In excessive period capacity, the company may pay late or extend debt. However, the company will also be able to suffer losses due to not getting a price discount. The results of this study do not support the results of previous studies conducted by Lyngstadaas and Berg (2016) and Tran, Bhatia and Srivastava (2016), Abbot and Yap (2017) which stated that the debt period had a significant negative effect on the company's financial performance.

Cash Conversion Cycle (CCC) has no and no significant effect on liquidity as measured by the Current Ratio (CR). This shows that the fast cash conversion cycle does not make the company able to meet its short-term obligations in a short time. This is because the company delays the payment of obligations to suppliers to get profits first. So that the fast cash conversion cycle so that the cash inflows received will also be faster and cannot affect the company to pay its short-term obligations immediately. The results of this study do not support the results of previous studies conducted by Shivakumar and Thimmaiah (2016) and Adekola, Samy and Knight (2017) which stated that the cash conversion cycle had a significant positive effect on liquidity.

Inventory Period (INV) has no and no significant effect on liquidity as measured using the Current Ratio (CR). This shows that the faster the inventory period, the faster the inventory will be sold and the company will quickly benefit from the sale of inventory. The profit must be used for other company needs such as maintaining unsold goods so that the company delays payment of its obligations to suppliers which will not affect the company's liquidity. The results of this study do not support the results of previous research conducted by Usama (2016) which stated that the debt period had a significant positive effect on liquidity, and was also supported by previous research conducted by Thimmaiah and Shivakumar (2016) which stated that the inventory period had a positive effect. significant to liquidity.

Receivable Period (AR) has a significant and positive effect on liquidity as measured by the Current Ratio (CR). This means that the higher the level of receivables period of a company, the better the level of management of the company's receivables. The state of the high receivable period indicates the more efficient and effective the company is in managing its receivables so that it can be used as cash, this means that the company's liquidity can be maintained. The faster the receivables period, the faster the company receives payments from receivables so that the refund will be faster which makes the company able to meet its short-term obligations. The results of this study support the results of previous research conducted by Usama (2016) which stated that the receivable period had a significant positive effect on liquidity, and was also supported by previous research conducted by Thimmaiah and Shivakumar (2016) which stated that the receivable period had a significant positive effect to liquidity.

Payable Period (AP) has a significant and positive effect on liquidity as measured by the Current Ratio (CR). This shows that if the company is able to maintain its debt period optimally, liquidity conditions will be well maintained so that creditors' trust in the company will be maintained so that a good relationship will be established between the company and creditors. The results of this study support the results of previous research conducted by Usama (2016) which states that the debt period has a significant positive effect on liquidity, and is also supported by previous research conducted by

Thimmaiah and Shivakumar (2016) which states that the debt period has a significant positive effect. to liquidity.

Current Ratio (CR) cannot mediate the relationship between the cash conversion cycle as measured by the Cash Conversion Cyle (CCC) to financial performance as measured by Return On Assets (ROA). This is because the fast cash conversion cycle can generate profits for the company. The profits obtained by the company are not only used to pay the company's short-term obligations, but are also used for other purposes so that it does not affect the company's financial performance. The results of this study do not support previous research conducted by Thimmaiah and Shivakumar (2016) which stated that the cash conversion cycle had a significant positive effect on liquidity and research conducted by Dermigunes (2016) which stated that liquidity had a significant positive effect on the company's financial performance.

Current Ratio (CR) cannot mediate the relationship between the inventory period measured using the Inventory Period (INV) and financial performance as measured by Return on Assets (ROA). This is due to the short inventory period so that the inventory of goods is also quickly sold and the company will quickly benefit from the sale of inventory. This profit must be used for other company needs such as maintaining unsold goods so that the company delays payment of its obligations to suppliers in advance so that it does not affect the company's financial performance. The results of this study do not support previous research conducted by Adekola, Samy and Knight (2017) which stated that the inventory period had a significant positive effect on liquidity and research conducted by Waswa, Mukras and Oima (2018) which stated that liquidity had a significant positive effect. on the company's financial performance.

Current Ratio (CR) can mediate the relationship between the period of receivables as measured by the Receivable Period (AR) to financial performance as measured by Return On Assets (ROA). From the results obtained that the faster the company obtains payment of receivables, the faster the refund will be received, so that the company can pay its obligations in a short time which can affect the company's financial performance. The results of this study support previous research conducted by Thimmaiah and Shivakumar (2016) which stated that the receivable period had a significant positive effect on liquidity and research conducted by Dermigunes (2016) which stated that liquidity had a significant positive effect on the company's financial performance.

Current Ratio (CR) can mediate the relationship between the debt period measured using the Payables Period (AP) and financial performance as measured by Return On Assets (ROA). From the results obtained that the company is able to maintain the debt period at an efficient level, the company is able to pay off its short-term obligations as long as the company does not lose discounts from suppliers which causes the company's liquidity to be well maintained so that it affects the company's financial performance. The results of this study support previous research conducted by Adekola, Samy and Knight (2017) which states that the debt period has a significant positive effect on liquidity and research conducted by Waswa, Mukras and Oima (2018) which states that liquidity has a significant positive effect on liquidity. company's financial performance.

Current Ratio (CR) has a significant and positive effect on financial performance as measured by Return On Assets (ROA). This shows that high liquidity indicates the company's ability to pay debts and the level of security of short-term creditors so that it will cause a positive reaction from investors to provide capital that can be used for investment in improving the company's financial performance. The higher the level of liquidity owned by the company, the lower the interest expense so that the better its financial performance. The results of this study support previous research conducted by Demirgunes (2016) which states that liquidity has a significant positive effect on financial performance and is also supported by previous research conducted by Waswa, Mukras and Oima (2018) which states that liquidity has a significant positive effect on financial performance. Financial performance.

## 6 Conclusion

The results of this study can be concluded as follows:

1. The results of the analysis show that the cash conversion cycle has a significant and negative effect on financial performance. This means that the shorter the cash conversion cycle, the better the company's financial performance.
2. The results of the analysis show that the inventory period has a significant and negative effect on financial performance. This means that the shorter the inventory period, the better the company's financial performance.
3. The results of the analysis show that the receivables period has a significant and negative effect on financial performance. This means that the shorter the receivable period, the better the company's financial performance.
4. The results of the analysis show that the payable period has no and no significant effect on financial performance. This means that the shorter the payable period does not indicate the better the company's financial performance.
5. The results of the analysis show that the cash conversion cycle has no and no significant effect on liquidity. This means that the shorter the cash conversion cycle does not indicate the better the company's liquidity.
6. The results of the analysis show that the inventory period has no and no significant effect on liquidity. This means that the shorter the inventory period does not indicate the better the company's liquidity.
7. The results of the analysis show that the receivables period has a significant and positive effect on liquidity. This means that the shorter the receivable period, the better the company's liquidity.
8. The results of the analysis show that the payable period has a significant and positive effect on liquidity. This means that the shorter the payable period, the better the company's liquidity.
9. The results of the analysis show that liquidity cannot mediate the relationship between the cash conversion cycle and financial performance. This means that the shorter the cash conversion cycle does not indicate the better the company's liquidity, if the liquidity is not getting better then the company's financial performance will not increase.
10. The results of the analysis show that liquidity cannot mediate the relationship between inventory period and financial performance. This means that the shorter the inventory period does not indicate the better the company's liquidity, if the liquidity is not getting better then the company's financial performance will not increase.

11. The results of the analysis show that liquidity can mediate the relationship between the receivables period on financial performance. This means that the shorter the receivables period, the better the company's liquidity, if the liquidity is better, the company's financial performance increases.
12. The results of the analysis show that liquidity can mediate the relationship between the payable period on financial performance. This means that the shorter the payable period, the better the company's liquidity, if the liquidity is better, the company's financial performance increases.
13. The results of the analysis show that liquidity has a significant and positive effect on financial performance. This means that the better the company's liquidity, the better the company's financial performance.

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