Using Meta-analysis to test Capital Management And Company Performance

Rendy Nur Deva

1. Fakultas Ekonomi dan Bisnis, Universitas 17 Agustus 1945, Surabaya, Indonesia

E-mail: rendynurdeva55@gmail.com

Abstract

The purpose of this article is to determine the relationship between the influence of working capital management on Company performance.The method of writing is done by analyzing 10 previous research journals that discuss working capital management on Company performance using a meta-analysis study. the conclusions of the results this article are taken from previous research after being analyzed by meta-analysis can provide an overview that working capital management has a negative effect on Company performance

Keywords: meta-analysis, working capital management, Company performance

INTRODUCTION

The goal of every company is to focus on maximum profit. If a company is able to earn profits in accordance with the company's targets, then the company can improve product quality and make new investments so that sustainability will occur. Assessing the company's performance is usually seen from the profit on the company's financial statements. Through performance appraisal the company can evaluate its financial strategy (Gunawan & Karimah, 2017).

Working capital management is one of the most important management tools for companies to increase company revenue. Working capital management is used by every company to manage the source and use of funds related to the

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company's working capital. Working capital decisions affect the company's performance significantly so that if the decisions taken are good, the results of the company's performance are also good and vice versa.

Generally, companies that run businesses always need adequate working capital. The existence of working capital is important for the company to support all its activities, and with the efficiency and effectiveness of working capital, it is expected that the company can increase its profitability. This is due to the faster the turnover of working capital, the faster the working capital returns to cash. Higher levels of working capital allow companies to increase their sales. Working capital management has an important role in better performance in the company.

Financial statements are information that presents position of wealth and profits of a company periodically. If the financial statements company from year to year shows an increasing profit, it can be said that company has a good company performance. This shows that increasing company performance cannot be separated from the role of financial managers through managing and using working capital as efficiently as possible. Working Capital Efficiency is carried out by the company so that the available working capital is neither excess nor deficiency, this is because working capital management has a direct effect on the performance of a company which can be seen from its liquidity and profitability.

Research on working capital or working capital management has the opposite result. where one side suggests that the company needs to maintain less investment in working capital which results in a shorter cash conversion cycle. Others say that investing more in working capital will result in a longer cash conversion cycle. However, both opinions have their respective risks. If a company has a low investment in working capital, there will be a risk of losing sales and also disruption in the production process. Likewise, if the company has a high investment in working capital, there will be a risk of bankruptcy due to the high costs that must be issued from the investment.

The development of research in this decade has led to many conflicting results. Meta-analysis studies are expected to help combine or conclude scientific research conducted separately from similar research using certain statistical

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techniques so that the results of the combined research have a statistically significant impact estimate. It can be said that meta-analysis is expected to be able to overcome problems, especially in the fields of financial science where previously various study findings that were originally contradictory and difficult to accumulate have finally become more integrative and systematic with this meta-analysis study. Working capital management and Company performance which will be discussed in this article.

Based on the explanation of the background above, the author wants to know how the relationship between capital management and Company performance where this article uses a literature study in the form of a meta-analysis study which is still rarely described, especially aboutcapital management and Company performance.Several previous research journals that the author has collected and will outline in this article.

RESEARCH METHODS

The method used in this article is the meta-analysis method, which is carried out by reviewing journals of similar previous studies oncapital management and Company performance.Data collection techniques used documentation techniques from 10 national and international journals. The research instrument was determined by the researcher based on research purposes. As for searching the journal, it was done using several databases such as Scoupus, Springer, Emerald, Elsevier and Google Scholar then the author entered search keywords such as capital management and Company performance. The following is a table of 10 journals that have been sorted and in accordance with the author's expectations.

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Table 1. Previous research journals

No	Name writer, origin and year	Article title	Research methods	Purpose	Results
1	Bhatia , Shikha dan Srivastava, Aman (2016)	Article Working Capital Management t and Firm Performance in Emerging Economies: Evidence from India	The analysis was carried out over a long period of time between 2000–2014 using ordinary least squares (OLS), fixed and random effects models and general methods moment (GMM) on 2,327 firm-year observations, panel data of 179 companies listed on the S&P BSE 500 Bombay Stock Exchange Index (BSE	This study aims to investigate the relationship between working capital management and firm performance. mance in emerging markets	This paper finds a negative relationship between working capital management and firm performance Therefore, there is a need to manage working capital efficiently to increase profitability
2.	Ren, ting et al (2019)	Working capital management and firm performance in China	This study applies a two-way fixed effect regression model to the sample Manufacturing companies registered in China for the period 2010 to 2017. WCM is measured by cash conversion cycle (CCC); profitability is measured by core earnings ratio; ownership structure is classified by state-owned enterprises (BUMN) and non-BUMN; and IE measured from the factor market dimension (FM)	The purpose of this paper is to examine the relationship between working capital management (WCM) and company performance in the context of the Chinese economy. In particular, it investigates the effects of ownership structure as an internal factor and the institutional environment (IE) as an external factor that shapes This relationship	First, the results show a negative relationship between CCC and firm performance. Second, the negative relationship between CCC and profitability is significant for non-SOEs but not for SOEs. Third, both FM and LS strengthen the negative relationship between CCC and profitability. Fourth, moderation FM and LS effects are proven only for non-SOEs. The results apply when using alternative measures WCM and profitability and while controlling for additional variables
3	Pakdel , Maryam dan Ashrafi , Majid (2019)	Relationship between Working Capital Management and the Performance	The sample consists of 80 companies registered in Tehran Stock Exchange 2002-2013 has been selected. In this study, the cash conversion cycle is	The purpose of this study was to determine the relationship between working capital management and	the result shows that there is a significant negative relationship between working capital management and the company

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		of Firm in Different Business Cycles	considered as a measure of working capital management, which consists of accounts receivable days, inventory days and debt day. The research hypothesis was analyzed using panel method data	performance companies in different business cycles. .	show. Among the components of the cash conversion cycle, only day receivables are negative and a significant relationship with company performance. The results also show that various business cycles does not change the relationship between working capital management and firm performance
4	Soukhakian, Iman and Khodakarami, Mehdi (2019)	Working capital management, firm performance and macroeconomic factors: Evidence from Iran?	This study uses ordinary least squares with a strong standard error for analyzing panel data cover 2010-2016 period. Two-stage least squares with strong standard error too used to control for endogeneity problems.	This paper investigates the impact of working capital management (WCM) on corporate performance among listed Iranian manufacturing companies, focusing on direct and moderating role of inflation and GDP variables.	The results show that cash conversion cycle (CCC) is negatively related to asset returns and enhanced economic value added (REVA). That is, the shorter the time span between spending and the goal chasing raw materials and collecting receivables for goods sold, the higher appearance. However, when endogeneity issues are controlled, CCC loses relationship with REVA. Positive and significant macroeconomic variables related to ROA, but only inflation was significantly related to REVA. Moreover, macro-economic factors do not moderate the relationship between WCM and firms show

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5	Konak , Fatih and Guner , Ela N. (2016)	The Impact of Working Capital Management on Firm Performance: An Empirical Evidence from the BIST SME Industrial Index	combined OLS test and cross sectional time series analysis technique used	The main purpose of this research is to determine the relationship between working capital management and the company the performance of twenty-nine of the thirty-three companies listed on the Borsa Istanbul SME Industry Index from 2011 to 2014	find a negative relationship between Net Margin and, Short-Term Debt Turnover and Cash Conversion Cycle. Can be interpreted as effective working capital management, such as the reduction of Short Term Debt Turnover Days, can have a positive impact on the company show
6.	Dania Olfimar taand Seto Sulakso n Adi Wibow o (2019)	Working Capital Management and Company Performance in Retail Trading Companies in Indonesia	The sampling method used purposive sampling technique. The analytical tool used is simple linear regression analysis and partial test (t statistical test).	This study aims to examine the effect of working capital management as proxied by working capital turnover, cash turnover, inventory turnover, accounts receivable turnover on company performance.	The results of the study found that working capital turnover had a significant positive effect on company performance. Cash turnover has a positive and insignificant effect on company performance. Inventory turnover has a positive and insignificant effect on company performance
7	Sunday Simon, Norfaie zah Sawand i, Moham ad Ali Abdul-Hamid (2017)	The quadratic relationship between working capital management and firm performance: Evidence from the Nigerian economy	This study uses a sample of 75 non-financial companies listed on the Nigerian Stock Exchange from 2007 to 2015. to evaluate the quadratic assumption using panel regression.	This paper seeks to determine the quadratic relationship between working capital management (WCM) and firm performance. Also, this paper examines the effect of deviation from optimal WCM on firm performance.	The study concludes that deviations from the optimal level of investment in WCM (either above or below) affect firm performance.
8	M.A. Zariyaw ati, M. T.	working capital management and firm	Balanced panel data analysis is used to achieve the goal by using	The purpose of this study was to determine the effect of working	The results of the random effect model show that working capital management has

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	Hirnissa and F. Diana-Rose (2017)	performance of small and large firms in malaysia	Stata 12 . software	capital management on the performance of small and large companies in Malaysia	a significant effect on company performance.
9	Kesseven Padachi (2006)	Trends in Working Capital Management and its Impact on Firms' Performance: An Analysis of Mauritian Small Manufacturing Firms	The aim of this paper is to examine trends in working capital management and their impact on firm performance.	firms were investigated for a sample of 58 small manufacturing firms, using panel data analysis for the period 1998 – 2003.	The regression results show that higher investment in inventories and receivables is associated with lower profitability
10	Naeem Ul Hassan, Malik Muhammad Imran, Muhammad Amjad, dan Mehboob Hussain (2014)	Effects of Working Capital Management on Firm Performance: An Empirical Study of Non-financial listed Firms in Pakistan	Panel econometric technique, namely pooled ordinary least squares, is used to estimate the relationship between working capital and company performance.	The aim of this paper is to investigate whether working capital management affects the performance of non-financial companies listed in Pakistan.	Empirical results show that the average age of inventory is positively related to gross profit margin and return on assets, while it is negatively related to return on equity but the relationship is not significant.

RESULTS AND DISCUSSION

It can be explained from the previous research tables obtained in the form of national and international journals about how the influence of working capital management on company performance. From the results of the use of meta-analysis studies that the authors did, the authors can see that there is a relationship between working capital management on company performance where researchers tend that working capital management has a significant influence on company performance. This is because in this study the data collection in the year

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of research had a wide gap so that the gap described in the background was unacceptable because most of the researchers supported the influence of working capital management variables on company performance.

From these results the company is expected to be able to view the topic of working capital management on the company's performance, so that it will have a positive and sustainable impact on the company. Then the relationship between each variable discussed from this study is explained

RELATIONSHIP OF WORKING CAPITAL MANAGEMENT AND COMPANY PERFORMANCE

From the previous research above, ten journals discussing the relationship between working capital management and company performance mostly support the relationship between the two variables, suggesting a negative direction on the relationship between working capital management and performance. Where when the company in the context of financing the company, which tends to use debt rather than equity in its financing and increase the company's assets, it is to optimize the company's profit and avoid the risk of sharing profits with other parties by increasing the company's equity. This means that changes in debt from time to time reflect changes in company performance..

Although there are also those that have no effect. These results indicate that when there is a decrease in productivity, which is followed by the least income of a company accompanied by low efficiency in the use of cash, it shows that the company's performance is not good so that the company does not experience profits. The need for large company funds cannot be fully met by using capital alone, so the company must increase the number of sales, both cash and credit sales and also the company should make arrangements for cash disbursements and receipts so that the company can achieve profit which is accompanied by an increase in company performance. and there is also an explanation of the relationship between the two variables but with a different direction of relationship,.

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In this study, which uses a meta-analysis study provides empirical evidence regarding the impact of working capital management dimensions on company performance. The research method model is used to test whether the relationship between various dimensions of working capital management and Company performance is positive or negative. From a review of previous research shows that the company's performance depends on the management activities involved in it. Thus, the higher the level of working capital management dimensions, the lower the level of company performance.

CONCLUSION

Based on previous research, it can be concluded with a meta-analysis study that working capital management has a significant negative effect on company performance which emphasizes that when a company's working capital is excessive, it can reduce the company's financial performance which causes over investment which will actually hinder the company's maximum profit. If there is a shortage of working capital, the company's operational activities cannot be fully funded. It is hoped that the results of this study show that it is good to conduct further research on company performance where the results of research on this topic can still contribute, both to companies, educators and the general public.

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