

REACHING PERSISTENCE OF FINANCIAL PERFORMANCE BY IMPLEMENTING WORKING CAPITAL MANAGEMENT

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Abstrak

Tujuan Utama: Penelitian ini bertujuan untuk menguji pengaruh working capital management (WCM) terhadap persistensi kinerja keuangan pada tahap siklus hidup perusahaan.

Metode: Penelitian ini menggunakan perusahaan yang terdaftar di Bursa Efek Indonesia sebanyak 91 perusahaan yang menjalankan bisnis ritel, industri dan bahan baku selama periode 2010-2020. Metode estimasi *hierarchical linear mixed* (HLM) digunakan untuk memproses analisis data bertingkat untuk menganalisis model tahapan siklus hidup

Temuan Utama: Terlepas dari tahap siklus hidup perusahaan, NTC memiliki koefisien positif yang signifikan dengan kinerja keuangan yang persisten, yang diukur dengan persistensi laba. Peningkatan NTC akan meningkatkan kinerja meskipun perusahaan tidak dapat mempertahankan kinerja yang sama di semua tahapan siklus hidup. Pada tahap pengenalan, peningkatan berdampak positif terhadap kinerja, namun berdampak negatif pada tahap pertumbuhan. Pada tahap matang (mature) berdampak positif, selanjutnya menurun pada tahap penurunan (decline).

Implikasi Teori dan Kebijakan: Kajian ini menyediakan elemen penting terkait permasalahan pengelolaan modal kerja pada tahap siklus hidup perusahaan dan dampaknya terhadap kinerja keuangan perusahaan dalam menghadapi berbagai gejolak bisnis dan perekonomian dalam jangka panjang.

Kebaruan Penelitian: Penelitian ini memperluas wawasan mengenai penerapan manajemen modal kerja pada tahapan siklus hidup perusahaan dan dampaknya terhadap kinerja keuangan yang persisten.

Kata kunci: Persistensi kinerja keuangan; Pengelolaan Modal Kerja; Siklus hidup perusahaan

Abstract

Main Purpose: This study aims to examine the effect of working capital management (WCM) on the persistence of financial performance in the corporate life cycle.

Method: This study was companies listed on the Indonesia Stock Exchange used were 91 companies running retail, industrial and basic material businesses during the 2010-2020 period. The hierarchical linear mixed (HLM) estimation method is used to process multilevel data analysis, to analyze the life cycle stages model

Main Finding: Main funding show that regardless of the corporate life cycle stage, NTC has a significant positive coefficient with persistent financial performance as measured by profit persistence. The increase in NTC will increase the performance although the company cannot maintain the same performance across all stages of the life cycle. During the introduction stage, the increase has a positive impact on the performance, but it has a negative impact during the growth stage. In the mature, it has a positive impact and decreases again at the decline stage.

Theory and Practical Implication :

This study provides a simplification related to working capital management problems at the company's life cycle stage and its impact on the company's financial performance in dealing with various business and economic turmoil in the long term

Novelty:

This research broadens insights regarding the application of working capital management at the stages of the company's life cycle and its impact on persistent financial performance

Keywords: Persistence of financial performance; Working Capital Management; Corporate life cycle

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INTRODUCTION

Although making the highest contribution in 2007, the Indonesian industrial sector is still facing problems and challenges including imported raw materials, uncompetitive industrial financing, low productivity, a flood of imported products, weak regulations, economic slowdown due to the covid pandemic, and so forth. The following data describe several targets that have not been achieved. The role of the processing industry over the last 20 years has also shown a declining trend when several crises occurred, namely the monetary crisis, economic slowdown, the global financial crisis, and the crisis due to the recent Covid pandemic.

The results showed that when a wave of crises occurred, companies needed to have an appropriate working capital fulfillment strategy (Polak, 2012). After the crisis, working capital is needed for the business restarting process, (Rapaccini, Saccani, Kowalkowski, Paiola, & Adrodegari, 2020), especially for companies with funding from banks, which will be more at risk, and have the potential to experience shock (Farinha, Spaliara, & Tsoukas, 2019) unless the company invests heavily in technology. (Szász, et al, 2021). Not all companies have working capital readiness when facing life cycle stages; during the global financial crisis (Akgün & Memiş Karataş, 2020). Companies with long operational experience are likely to be better prepared to face life cycle stages;

many companies take advantage of long-term debt for short-term financing (Akbar, Jiang, & Akbar, 2020). They tend to invest in idle resources tied up in current assets, but this is considered inefficient. Inappropriate working capital management can disrupt liquidity, profitability, corporate value, and sustainable growth (Sin, Chen, Tze, & Boon, 2017); (Vijayakumaran, 2019), (Nastiti et al., 2019); (Iqbal, Ullah, Zhuquan, & Shah, 2017). So it is necessary to understand its determinants for profits (Pham et al, 2020).

The industry 4.0 era affects businesses to try to invest in new technologies although it is also important to manage liquidity and current asset turnover (Štefko, Vašaničová, Jenčová, & Pachura, 2021), especially when facing life cycle stages, and sustainable financial performance. (Wang, Akbar, & Akbar, 2020). At this stage, companies need to pay attention to some consideration and identification when making investment decisions (Zhao & Xiao, 2019); (Shahzad, Lu, & Fareed, 2019). They really need working capital management and strategy (Biswas & Das, 2020); (Bhattacharyya & Thakre, 2021); (Zimon & Tarighi, 2021), for example in dealing with the supply and management of raw materials (Gribova, et al, 2020); (Ortego et al., 2020), (Hartlieb, Jorda Bordehore, Regueiro González-Barros, Correia, & Vidovic, 2020). This research is developed from the previous one conducted by Wang et al., 2020 by using the persistence of profit as an indicator of persistent financial performance and taking into account working

capital management at each stage of the manufacturing and retail industry life cycle listed on the Indonesia Stock Exchange for the 2010-2020 period. This study examines the effects of WCM on the persistence of performance in facing the company life cycle stage. Hierarchical linear mixed (HLM) estimation is used to process multilevel data.

Efficient working capital contributes to the success and the life cycle of a company and maintaining sufficient working capital will ensure liquidity and increase profitability (Boţoc & Anton, 2017); (Nastiti et al., 2019). However, a higher proportion of company's short-term investment will have a negative impact on profitability (Panda & Nanda, 2018). The efficient short term investment management are associated with the ability to overcome financial constraints (Dhole, Mishra, & Pal, 2019). The reduction of the cash conversion cycle (CCC) will increase firm value (Zeidan & Shapir, 2017). Decisions regarding fixed assets, long-term debt, and equity depend on the appropriate level of working capital (Lorenzo Preve, et al, 2010). The study conducted by Nguyen, Pham, & Nguyen (2020), Ng, Ye, Ong, & Teh (2017), and Seth, Chadha, Ruparel, Arora, & Sharma (2020) suggest that companies can increase profitability by maintaining the optimization of CCC, shortening the time to collect money from clients, speeding up the flow of inventory and keeping payment times to creditors low. Nonetheless, there is a negative relationship between WC and business performance (Akgün & Memiş Karataş, 2020). During a crisis, for example, liquidity has a significant impact on business performance. (Akgün & Memiş Karataş, 2020). During periods of economic downturn, the efficient current assets management is importance (Enqvist, Graham, & Nikkinen, 2014). (Enqvist, Graham, & Nikkinen, 2014).

Sustainability plays an important role in maintaining a financial performance (Bergman, Bergman, & Berger, 2017) because it can be a tool for political and socio-economic negotiations for long-term benefits, as well as other financial performance, (Jung, Nam,

Yang, & Kim, 2018). The enforcement of government regulations, integration of sustainability, and development of infrastructure and facilities were found to be the most influential drivers. (Orji, 2019). Companies must ensure financial security through compliance and (Rosenau-Tornow, Buchholz, Riemann, & Wagner, 2009) sustainable management principles (Kaczmarek, 2019). In order to grow and be profitable, it is essential for companies to actively secure raw materials, markets, and open innovation for growth and profitability (Jeong, Shin, Kim, & Kim, 2020) despite the fact there might be some obstacles in doing that, such as economic, social, environmental, technological, knowledge and learning constraints (Malek & Desai, 2019); (Kaswan & Rathi, 2021). Kaswan & Rathi, (2021) state that some indicators can be used to measure its success, such as a life cycle assessment (LCA). More research is still needed to find out more about financial sustainability ways to overcome financial difficulties that can affect profits and efficiency (Osazefua Imhanzenobe, 2020). Financial performance to maintain long-term business continuity can be measured by profit persistence, which focuses on the coefficient of the regression of current earnings to future profits, according to Mueller (1990a). Persistent profits describe companies that have managed to maintain abnormal profits over time. The past return is positively influenced to profitability, and net working capital is the most important variable affecting profitability. (Isik & Tasgin, 2017). There are two models of the competition process quoted from Mueller (1990a).

Step 1: Estimation of earnings persistence

$$\pi_{it} = \tilde{\pi}_i + \sum_{k=1}^{\infty} \lambda_{j,k} \pi_{i,t-k} + v_{i,t} \dots\dots\dots(1)$$

Step 2: investigation of the determinants of profit persistence, namely working capital management, and company-specific factors.

There was some research related to current asset management, and sustainability, and the findings suggested that profitability was positively and significantly influenced by past

profitability and net working capital, (Isik & Tasgin, 2017). There is evidence that managing working capital will increase profits which results in sustainable growth (Nastiti et al., 2019). (Iqbal et al., 2017). The strong impact of WCM on profitability where receivables period, liquidity, company size, and growth are positive while the CCC has a negative impact (Pham et al., 2020). In the digital and Industry 4.0 era, sustainability is closely related to investing in new technologies, (Štefko et al., 2021). Despite the results that high investment in receivable and inventory is associated with lower profitability and growth in manufacturing businesses. (Iqbal et al., 2017). There is a non-static relationship at various stages of the life cycle; the negative relationship is more prominent at the stage of introduction followed by growth and decline while WCM has no significant impact at the mature stage. For investors, information related to company strategy is necessary considerations (Zhao & Xiao, 2019) concerning that risk management and corporate risk taking (CRT). Companies with high liquidity ratios, quick ratios, cash conversion cycle (CCC), and current assets can increase sales and performance. Furthermore, the high-technology machinery for processing, storage, and improving the quality and safety of raw materials must be maximized (Gribova et al., 2020); (Hartlieb et al., 2020). However, to understand several constraints, for example, that a production constraint may be related to price forecasting and raw material shortages in the future, so they need supply chain management (Rosenau-Tornow et al., 2009). In addition, it is evident that revenue, profitability, operational costs, and regulatory compliance encourage innovative solutions and collaborative practices to survive the short-term crisis caused by the pandemic (Bhattacharyya & Thakre, 2021) by reconfiguring resources and adapting to the environment. (Bhattacharyya & Thakre, 2021). The literature above results in the following hypotheses:

H1: Working capital management has a negative effect on profit persistence at the

introduction stage and a positive effect at the growth, maturity, and decline.

METHOD

Sample and data collection

The samples are manufacturing companies that have made an IPO for at least ten years. The data were taken from the manufacturing companies for a period of ten years (2010–2020). Sample companies are taken from three groups of selected manufacturing industries. Data to support the dependent, independent, firm-level, and industry-level variables are obtained from the Annual Financial Report. Cash flow data for calculating CLC tranches is accessed from Indonesian Capital Market statistics. Macroeconomic variable data (GDP growth and inflation) is taken from the website of Bank Indonesia. The data of industrial growth is taken from the Ministry of Industry.

Measurement of Variables

Persistence of Financial Performance

The company's profit level is estimated through dynamic panel regression analysis as in the persistence of profit hypothesis theory from Mueller, (1977) and Bicksler & Mueller (1987). The profit persistence is analyzed using a two-step approach as referred to by Goddard, Liu, Molyneux, & Wilson (2011). In the first stage, the persistence of company profits throughout the research period (2010–2020) for each company was estimated based on the normalized first-order autoregressive profitability model in the dynamic panel formation. In the second, the dependent variable in the cross-sectional uses the regression coefficient resulting from the estimation of the first-order autoregressive model from the first stage analysis between companies and are functioned based on the factors assumed to influence it. The first-order autoregressive (AR(1)) model of normalized profitability in the dynamic panel formation throughout the research for each company is as follows:

$$\pi_{i,t} = \pi_i + \lambda_i \cdot \pi_{i,t-1} + \mathbf{v}_{i,t} \dots\dots\dots(2)$$

Where:

$\pi_{i,t}$ = deviation of the i-th company ROA to the t-year average inter-company ROA (ROA_{i,t} – ROA_t~)

$\pi_{i,t-1}$ = deviation of the i-th company ROA to the t-1 year average inter-company ROA (ROA_{i,t-1} – ROA_{t-1}~)

π_i ~ = estimation of the model constant, which shows the average deviation of the ith company's ROA to the average inter-company ROA in the long run

λ_i = estimation of the regression coefficient of the model, which shows the persistence of profit as a proxy for the long-term financial performance of the i-th company

1. Corporate Life Cycle

A cash flow proxy is a powerful tool for analysis, forecasting, and valuation (Dickinson, 2011) with five cycle stages. CLC cycle size is determined based on its cash flow pattern from operations (CFO), investment (CFI), and financing (CFF) companies' business activities are classified into life cycle stages.

Cash flow patterns

Cash Flow	I	G	M	SO	D
CFO	-	+	+	-	+
CFI	-	-	-	-	+
CFC	+	+	-	-	+

Introduction (I): If CFO < 0, CFI < 0; CFF > 0; Growth (G): If CFO > 0, CFI < 0 ; CFF > 0; Mature (M): If CFO > 0, CFI < 0 and CFF < 0; Shake-out (SO) : Any pattern other than those stated above; Decline (D): If CFO < 0, CFI > 0 and CFF ≤ or ≥ 0;

2. Working capital management

According to Wang, Akbar, & Akbar (2020), to measure Working Capital Management (WCM) and the net trade cycle (NTC) by

calculating (receivable days + inventory days - days in accounts payable).

Research Model

In Equation (1), Profit Persistence is used to measure company performance. NTC is used to measure WCM. Meanwhile, NTC*FLCS is an interaction variable that is used to examine the effect of the company life cycle stage on the relationship between WCM and company performance. β₂, β₃, β₄ and β₅ respectively denote the coefficients of introduction *NTC, growth *NTC, mature *NTC, and decline *NTC.

$$LAMD A_{i,t} = \alpha_0 + \beta_1 NTC_{i,t} + \sum_{k=2}^5 \beta_k NTC_{i,t} * FLCS_{k,i,t} + \beta_6 FSIZE_{i,t} + \beta_7 LEVG_{i,t} + \beta_8 MTB_{i,t} + \beta_9 SGROWTH_{i,t} + \beta_{10} CAG_{i,t} + \beta_{11} INDCOM_{i,t} + \beta_{12} INDGR_{i,t} + \beta_{13} GDP_{i,t} + \beta_{14} INF_{i,t} + \epsilon_{i,t} \dots \dots \dots (3)$$

In Equation (2), Profit persistence is used to measure a persistence of financial performance.

Where:

LAMDA = persistence of financial performance

NTC = Net Trade Cycle

FLCS = Firm Corporate Sustainability

FSIZE = Firm Size

LEVG = Leverage

MTB = Market to Book Value

SGROW = Sales Growth

CAG = Capital Assets Growth rate

INDCOM = Industry level Control variable/Industries Competition

INDGR = Country level Control variables/Industrial growth rate

GGDP = Growth in Gross Domestic Product

INF = Inflation rate

RESULTS AND DISCUSSION

Financial performance of the industrial, basic material and retail groups

Life cycle Wise of manufacturing companies consisting of industrial, basic material and retail companies resulted in the following data:

Table. 1 Descriptive Statistics Life Cycle Wise

Variabel	N	Average	Deviation Standard	Percentile 5%	Percentile 95%	Intro	Growth	Mature	Shake-Out	Dec line
ROA	990	3.65	12.06	-10.80	18.93	5.83	1.90	7.86	1.98	-3.67

NTC	990	72.62	580.13	-10.51	175.46	71.38	36.76	20.69	87.97	26.48
Firm Size	990	16.24	6.56	6.93	28.62	23.68	15.40	13.75	12.46	9.68
Leverage	990	7.26	198.54	0.15	6.23	21.81	2.03	1.11	0.40	3.15
MTB	990	347032.02	7161804.10	0.11	535.53	35054.91	447397.39	3333610.04	1427.24	186910.88
SGROW	990	25.36	365.66	-29.86	50.10	17.24	17.52	9.72	34.60	-9.14
CAG	990	66.12	1715.43	-18.69	46.03	17.27	13.52	5.75	114.00	-0.74
NWC	990	-0.22	5.08	-0.53	0.74	0.10	0.04	-0.37	-0.43	0.17

The average ROA value was 3.65 percent with a standard deviation of 12.06 percent which showed how close the data from a statistical sample was to the mean or average data where the maximum increase in the average ROA value was +12.06 percent while the minimum decrease was -12.06 percent. For the 5% percentile, the ROA value was -10.80 percent and for the 95% percentile, the ROA value was 18.93%. At the Corporate Life Cycle stage, the company's average ROA at the introduction stage was 5.83%. Then it increased by 1.90% at the Growth, and 7.86% at the Mature. However, the average ROA tended to decrease by -3.67% at the Decline stage and 1.98% at the Shake-out stage. The average NTC value was 72.62 days with a standard deviation of 580.13 days which showed the magnitude of the maximum increase in the average NTC value of 580.13 days while the minimum decrease was 580.13 days. For the 5% percentile, NTC was -10.51 days and for the 95% percentile, the NTC value was 175.46 days. The Life Cycle stage showed that the

company's average NTC during the Introduction stage was 71.38 days, and decreased at the Growth stage by 36.76 days and at the Mature stage by 20.69 days. However, the average NTC tended to increase at the Shake-out stage by 87.97 days and decreased at the Decline stage by 26.48 days. The importance of efficient inventory management, receivables and liquidity during a crisis, had a significant impact on business performance. There was a significant positive effect of Sustainability on Financial Performance at the growth, maturity, and overhaul stages even though the risk of bankruptcy was higher at the introduction stage. Because the company did not follow sequential patterns in their life cycle, but rather tended to return to the previous stage or jump to the next stage. On the different of life cycles, there were significant differences in company size, growth, financing, investment opportunities, operational and risks. During the introduction and decline, earning management practices were significantly higher, and lower during the growth and maturity.

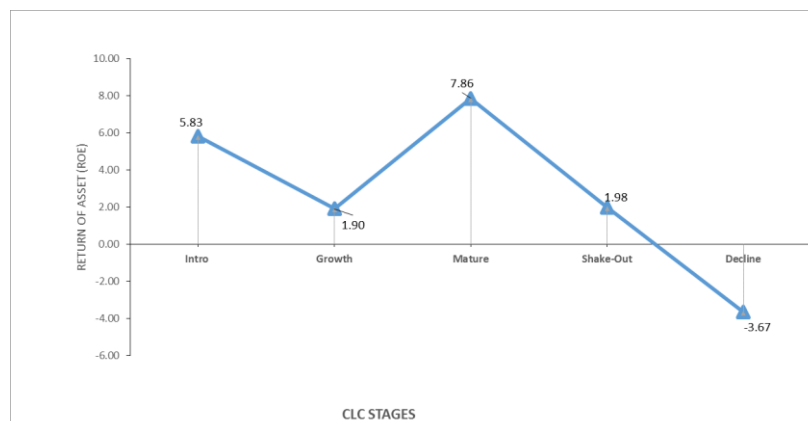


Figure 2: Average ROA across CLC

The highest ROA value (7.86) at the Mature. On the other hand, the decline in company profitability is the lowest (-3.67) at the Decline. There is a significant increase in companies at the Mature compared to the Introduction and Growth stages. Overall, the company's performance shows an inverted "V"-shaped trend in the growth to decline stages of all CLC

stages. This shows that at the life cycle, companies fail to maintain their performance when they move from one stage to the next. It is better to evaluate based on financial and other indicators such as intellectual capital to achieve sustainable company performance (Xu & Liu, 2019).

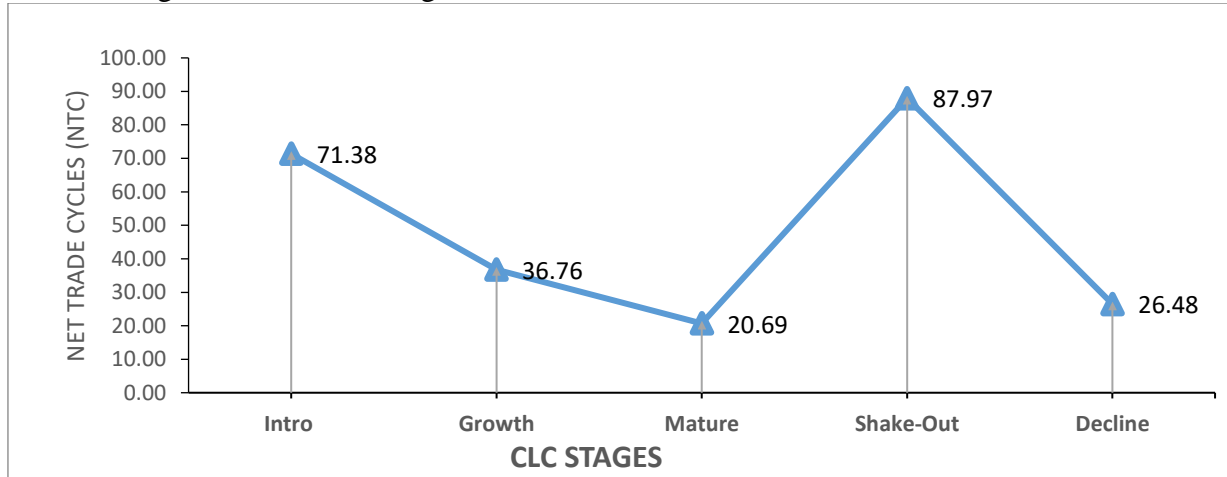


Figure 2: Average NTC across CLC

The companies with the lowest profitability (companies that are experiencing the Decline and Introduction stages) manage their NTC more conservatively. The highest NTC value (87.97) is at the Shake-out stage. On the other hand, the company's NTC value is lowest (20.69) at the mature stage and NTC value at the stage of mature is more optimal than the other stages.

means that 80.5% of ROA in year t can be explained by ROA in year t-1 and the rest is explained by other variables not included in the model. In addition, the RMSE and MAE values are relatively low which indicate that the AR (1) model is appropriate as the ROA model.

The effect of working capital management on the financial performance of industrial, basic material and retail groups at the lifecycle stage (CLC)

Table. 3 Parameter Model Estimation

Table 2. AR Model Quality Test

	R-Square	RMSE	MAE
ROA (AR(1))	0.805	5.425	3.628

	Parameter Coefficient	Error Standard	t	Sig
Constant	4.165	0.719	5.794	0.000
AR Lag 1 (AR (1))	0.761	0.021	35.894	0.000

The AR model (1) for ROA data has a coefficient of determination of 0.805, and this

That all parameter coefficients in the AR model (1) for ROA have a value of sig < α = 5%, so it can be concluded that the parameter coefficients are significant in the model. Any increase in ROA at time t is affected by ROA at time t-1 with a coefficient of change of 0.761 percent. The calculation of the AR forecasting model (1) to predict ROA_t are used as the unit of analysis variable for the HLM modeling stage.

Table 4. Correlation Matrix

	ROA	NTC	Firm_Size	Leverage	MTB	SGROW	CAG
ROA	1						
NTC	.025	1					
Firm_Size	.075	-.007	1				
Leverage	-.039	-.001	-.046	1			
MTB	.117	-.006	-.071	.011	1		
SGROW	.036	0.00	-.009	-.003	-.002	1	
CAG	.034	-.003	-.015	-.001	-.001	.830	1

Table 4 presents, that ROA and NTC have a positive correlation which means that every increase in NTC increases the profit. In addition, NTC also has a negative correlation with Firm size, leverage, MTB and CAG. Meanwhile, Firm Size, MBV, Sales growth and Capital assets growth rate have a positive relationship to the sample company's profitability (ROA), meaning, these five variables will be associated with an increase in the sample.

Furthermore, if the VIF value is above 10 or if the TOL value is greater than 0.1, it is possible that there is no strong multicollinearity between the independent variables. Table. 5

shows that all VIFs between variables X have values less than 10 and all TOLs between variables x have values greater than 0.1. There is no indication of strong multicollinearity.

Table 5. VIF and TOL Matrix

	TOL	VIF
NTC	1.000	1.000
Firm Size	0.992	1.008
Leverage	0.998	1.002
MTB	0.995	1.005
SGROW	0.135	7.399
CAG	0.135	7.400

Table 6. Fixed Effect Model Test

Variable	F TEST	
	Model (1)	Model (2)
NTC	4.109 (0.044)	
NTC × Birth		8.013 (0.005)
NTC × Growth		0.959 (0.328)
NTC × Mature		8.335 (0.004)
NTC × Decline		3.199 (0.123)
FIRM SIZE	6.182 (0.013)	0.018 (0.892)
LEVERAGE	20.913 (0.000)	20.318 (0.000)
MTB) ^a) ^a

SGROW	2.240 (0.398)	7.522 (0.012)
CAG	130.934 (0.000)	99.80 (0.000)

)^a This parameter is set to zero because it is redundant

Table 6 on the Hierarchical Linear Mixed Model (HLM) for Working Capital Management in model 1 shows that some of the p-value variables in the F test are smaller than $\alpha = 5\%$ or 10% , including the NTC variable (p-value $<5\%$), Firm Size (p-value $<5\%$), Leverage (p-value $<5\%$), MTB (p-value $<5\%$), and CAG (p-value $<5\%$). Meanwhile, the Hierarchical Linear Mixed Model (HLM) for Working Capital Management in model 2

shows that some of the p-value variables in the F test are smaller than $\alpha = 0.05$; they are the NTC \times Birth variable (p-value $<5\%$), the NTC variable \times Mature (p-value $<5\%$), Leverage (p-value $<5\%$), SGROW (p-value $<5\%$) and CAG (p-value $<5\%$). The Fixed Effect model can be used to model the effect of the independent variables on the persistence of ROA for Working Capital Management.

Table 7. Hierarchical Linear Mixed Model (HLM) for WCM

Variable	Model (1)		Model (2)	
	Expected Sign	Parameter	Expected Sign	Parameter
NTC	+	0.0082* (2.027)		
NTC Birth			+	0.0373* (2.831)
NTC \times Growth			-	-0.0208 (-0.979)
NTC \times Mature			+	0.0567* (2.887)
NTC \times Decline			+	0.0029 (1.788)
FIRM SIZE	+	0.113* (2.486)	-	-0.0078 (-0.136)
LEVERAGE	-	-0.4537* (-4.573)	-	-0.4747* (-4.508)
MTB	+	1.18 $\times 10^{-6}$ * (24.056)	+	9.96 $\times 10^{-7}$ * (2.415)
SGROW	+	0.0126 (1.497)	+	0.028* (2.743)
CAG	+	0.3081* (11.443)	+	0.222* (9.999)
Constant	+	0.6265 (0.873)	+	2.452* (3.027)

N	990	990
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Robust t-statistics are in the brackets while, * and ** indicates 1%, 5%, and 10% significance level, respectively.
^a This parameter is set to zero because it is redundant

Table 7 shows the relationship between NTC and profit persistence at the CLC using the HLM regression model. The results show that, NTC has a significant positive coefficient ($p < 0.05$) with ROA (0.0082). This shows that the decrease in NTC increases the persistence of ROA. Life Cycle statistics show that companies are unable to maintain performance throughout their Life Cycles as a persistence of

ROA as long as the introduction stage has a positive impact (0.0373) on persistence of financial performance. Meanwhile, the growth stage has a negative impact (-0.0208) on profitability. However, the mature stage has an increasing positive impact to (0.0567) and decreases again at the decline stage to 0.0029 on on persistence of profitability.

- Birth*NTC also has a positive and significant effect on persistence of ROA ($p < 0.05$). In addition, the coefficient at (0.0373) illustrates that at the Introduction, if there is an increase in NTC, there will be an increase in performance.
- Growth*NTC also has a negative effect but not significant ($p > 0.05$). In addition, the coefficient at (0.0208) illustrates that even though there is an increase in NTC at the Growth stage, it can reduce company profitability.
- Mature*NTC also has a positive effect and is significant ($p < 0.05$). In addition, the coefficient at the Mature (0.0567) illustrates that even though there is a decrease in NTC at the Mature stage, it can increase the persistence of ROA.
- Decline*NTC also has a positive effect ($p > 0.05$). The coefficient at the Decline stage (0.0029) illustrates that even though there is a decrease in NTC at the Decline stage, it can increase the persistence of ROA.

The research hypothesis proposes that working capital management has a negative effect on financial performance at the introduction stage and a positive effect at the growth and maturity

stages. The results showed that WCM had a positive impact at the introduction stage but a negative impact at the growth stage. In fact, it had a positive impact on financial performance at the mature and decline stages. The findings suggest that at the introduction stage, working capital management has a positive effect on financial performance, meaning that if working capital management increases, persistent financial performance will increase. Accumulated cash reserve is essential to keep the company running and to remain in business when an economic crisis and turmoil hit. At the growth stage, the company invests a lot which is financed by external funding such as debt. In addition, at the growth stage, the company has low retained earnings because all profits and funding sources from external loans are used for investment and innovation (Grabowski & Mueller, 1975). In contrast, Nastiti et al., (2019) state that working capital management does not show a significant direct effect on sustainable growth but a significant indirect effect through profitability. Therefore, managers must strive to increase sustainable growth through working capital management (Nastiti et al., 2019). Working capital management is also influenced by the age and behavior of company managers (CEOs). Burney, James, & Wang state that increases in net operating working capital, lower inventory levels and higher debt levels are related to the age of younger CEOs (2021). They also tend to apply more aggressive working capital management policies, communicate on social media, and use the media as marketers (Mudambi, Sinha, & Taylor, 2019); (Mudambi et al., 2019). Furthermore, Akgün & Memiş Karataş (2020) state that liquidity measures have a significant impact on business performance as shown by ROA.

The cash flow proxy becomes a powerful tool in forecasting and valuing, and a control variable for future research (Dickinson, 2011). Other results show that there is a significant positive effect of Corporate Sustainability

Performance on Corporate Financial Performance at the stages of growth, maturity, and overhaul (Diebecker et al., 2017). Manufacturing companies with years of experience may face problems during the life cycle stages. However, variations in the amount of working capital, credit policies, availability of raw materials and others, and their management through liquidity and quick ratios, cash conversion cycles (CCC), and the amount of current assets supported by investment in new technology can increase sales and performance. Likewise, it is necessary to use sophisticated technology regarding storage, processing, quality and safety of raw materials (Štefko et al., 2021); (Jackson, Tolujevs, & Kegenbekov, 2020); (Gribova et al., 2020); (Yu, Hou, Xia, & Li, 2019). Therefore, it is important to promote good working capital management practices through receivables and inventory management to increase profits and company value during a recession (Sin et al., 2017); (Vijayakumaran, 2019); (Zimon & Tarighi, 2021). However, poor inventory management has little effect on the company's financial performance (Karim, Nawawi, & Salin, 2018). Furthermore, according to Isik & Tasgin (2017), profitability is positively and significantly influenced by past profitability, company size, net working capital, and economic growth. Managing working capital will increase optimal profits and sustainable growth (Nastiti et al., 2019). (Iqbal et al., 2017), (Anton & Afloarei Nucu, 2020); (Pham et al., 2020). However, the high investment in receivables and inventories can cause lower profitability and a significant negative relationship between profitability and growth based on days of receivables and inventory, (Iqbal et al., 2017). The working capital policy should encompass the adequacy of working capital for operational needs so that it is not going to be too much or excessive or too little that will interfere with performance achievement. The results of the study show that the implementation of strict policies supports a higher profit level. To compete in a very complicated situation and dynamic market, it is difficult for businesses to maximize working

capital as a true competitive advantage to boost profits. Therefore, managers must carefully control the link between profitability and working capital components (Azman & Ramakrishnan, 2021).

CONCLUSION

Base on finding the study that regardless of the corporate life cycle stage, Working Capital Management (WCM) as measure by Net Trade Cycle has a significant positive coefficient with persistent financial performance. The increase in NTC will increase the performance although the company cannot maintain the same performance across all stages of the life cycle. During the introduction stage, the increase has a positive impact on the performance, but it has a negative impact during the growth stage. In the mature, it has a positive impact and decreases again at the decline stage.

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