THE RELATIONSHIP BETWEEN CASH CONVERSION CYCLE TOWARDS FIRM'S PROFITABILITY: A STUDY OF MANUFACTURING SECTOR IN CHINA

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ABSTRACTS

The purpose of this study is to determine the relationship between cash conversion cycle towards firm's profitability. The profitability is measuring by using the Return on Equity (ROE) and Return on Assets (ROA) as the dependent variable. Meanwhile, the cash conversion cycle (CCC), Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payable Outstanding (DPO) as the independent variables. This study chooses China as the sample of country and the firms chosen is listed in Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Stock Exchange. Three manufacturing sector were selected which are Home Appliances, Apparel and Gadget sector. The financial data is taken from the period of year 2011 until 2015 used in this study, which is resulting 150 observations. Results showed that only Home Appliances sector having a positively significant relationship between cash conversion cycle towards return on equity, but no significant relationship towards the return on assets. The apparel and gadget sector shows no significant relationship between the cash conversion cycle towards the profitability.