THE INFLUENCE OF WORKING CAPITAL AND SOSIAL RESPONSIBILITY DISCLOSURE TOWARD CORPORATE'S VALUE AND PROFITABILITY: EMPIRICAL EVIDENCE FOR THE INDONESIA AUTOMOTIVE INDUSTRY

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Abstract

Automotive industry in Indonesia has an important role in aspect of country's economic growth. The growth of automotive industry should be support continuously, since it also relates to other economic aspects and has wide potential market in Indonesia. This research uses data panel regression approach to analyze variable of working capital, Current Ratio, Debt to Equity Ratio, Financial Fixed Asset Ratio, and disclosure of Corporate Sosial Responsibility (CSR) as independent variable and Profitability ratio is used as mediating variable, and corporate's value that measured by market value ratio as dependent variable. Result of the research found that there is negative relation between variable of DSO, DIO, CCC, DER and FFAR with corporate's profitability which is represented by OPROA. Meanwhile, variable of DPO and CR has positive impact to profitability. Variable of disclosure of Corporate Social Responsibility and profitability also has positive impact and significant influence to corporate's value.

Keywords: profitability, corporate's value, CCC, current ratio, debt ratio, financial fixed asset ratio, CSR disclosure.

I. INTODUCTION

Corporate's activities consist of three activities include operational activity, financing activity, and investing activity. Fundamentally, all those activities need funding which could bring corporate's objective into stage of accomplishment. In operational activity, fund is necessary while purchasing the raw material, payment of labor service, even for net income from sales of corporate's product. The net income is going to be utilized for further operational activity and it is continuously as long as the corporate still operates the business. The fund needed by corporate to operate their business is called working capital.

Corporate's profitability is driven by its performance while utilizing the limited resources. In order to maximize corporate's performance through utilization of the limited resources, working capital policy is one of favorable approaches which could be taken place.

The management has to determine working capital according to operational needs. The excess of working capital may emerge existence of passive fund which potentially causes opportunity loss. In vice versa, if the working capital is shortage, it is going to be an obstacle to operate the business.

Cash conversion cycle is defines as the time lag from raw material purchase, inventory conversion to the collection of cash from the sale of goods. The longer of lag, the greater investment in working capital and thus the the firm need higher financing. Higher Financing will impact higher interest cost, higher default risk and lower profitability.

The corporate's ability to stay compete with their competitors is conducted by maintaining financial stability and also keep growing.

In purpose of maintaining financial stability, sometimes there are several companies exploit natural resources in uncontrollable way which will bring damage on ecosystem. As a result, it will negatively impact on human life and corporate's sustainability as well. To keep going on their

business, corporate should obtain people acceptance toward their corporate's existence. Therefore, concept of Corporate Social Responsibility is announced. Corporate Social Responsibility is concept that integrate aspect of business and social to achieve prosperity for stakeholders, and maximize profit by increasing the stock price.

Research on working capital have carried out abroad as research conducted by Goel (2013), Majeed *et.al* (2012), Abuzayed (2012), Raheman *et.al* (2010), Mohamad and Saad (2011), Falope and Olubanjo (2009), Appuhami (2008), Lazaridis and Tryfonidis (2006), Padachi (2006).

In Indonesia, sort of research likes the influence of working capital towards profitability is already conducted by many researchers. Whereas, study regarding influence of CSR disclosure towards corporate's value is still few researchers have been studied on it. Following are several researches that have been conducted to particular industry in Indonesia, for instance, research by Pranowo *et.al* (2010), Hardiyanto *et.al* (2014).

This research investigates influence of working capital and Corporate Social Responsibility disclosure to the corporate's value and profitability, especially automotive industry in Indonesia pasca global economic crisis.

The variable of the research is to analyze the working capital, which consists of cash conversion cycle that driven by Days sales outstanding, days inventory outstanding, Days payable outstanding, Current Ratio, Debt Ratio, Asset Structure, and disclosure of Corporate Sosial Responsibility (CSR) as independent variable and Profitability ratio is used as mediating variable, and corporate's value that measured by market value ratio as dependent variable.

Indonesia is one of country that has an exciting growth market, the Gross Domestic Product per capita is rising and driven by increasing middle class with more people investing in 2 and 4 wheels vehicles used as a primary mode of transportation for many individuals and families in Indonesia. Poor public transportations systems have forced people to invest in their own form of transportation.

Lately, the Government Regulation of the Republic of Indonesia No. 41 Year 2013 concerning Low Cost Green Car which will regulate automotive industry in Indonesia should uses lot of component in which locally produced, along with increasing on foreign investment in automotive industry and the Low Cost Green Car to benefit the 0% luxury good VAT.

The automotive industry has reacted positively to the new regulations. One of the result is the foreign investment growth has positive contribution toward national economic growth and employment opportunity in Indonesia, together with raise of degree on product competitiveness in Indonesia automotive industry.

II. LITERATURE REVIEW

Based on several researches earlier regarding capital management and its influence toward corporate's profitability, it explains that working capital significantly affects the corporate's profitability, either measured by operational profit margin, gross profit margin, ROA/ROI or ROE. Variable of working capital which consist of cash conversion cycle along with the components (days inventory outstanding, days sales outstanding, days payable outstanding), debt ratio, and level of returned on asset of prior period, has significant intergration with return on assets (ROA) and there is positive regression between current assets and cash cycle. Profitability ratio is determined by working capital, whereas type of industry does not impact in a crucial way. Furthermore, working capital management ratio is driven by type of industry, year, and interaction in their both. Assets structure is also affects toward corporate's profitability. Moreover, variable of corporate social responsibility is also analyzed on behalf of its integration to corporate's value.

Based on research by Pimplapure (2011), there is negative correlation between daily inventory movement and operational profit. It means that if the corporate consume a longer time to sell the inventory, hence it will give unfavorable impact to profitability. The negative correlation between average of inventory movement and corporate's profitability is also found by Raheman *et.al* (2010) that reveal two variable has negative correlation significantly. Then, Deloof (2003) found that there is negative intergration between average inventory movement and profitability (using gross profit) and Majeed, *et al.* (2012) revealed that there is significant negative correlation between average inventory movement and profitability which measured by Return on Assets and Return on Equity. In addition, according to result from research by Mansoori and Joriah Muhammad (2012), there is negative correlation between DIO and profitability.

According to research conducted by Garcia *et.al* (2011), average daily account receivable movement has negative correlation and significant toward corporate's profitability. The negative correlation shows that if average period of account receivable increases, the corporate's profitability will be negatively impacted as well. A similar result is also delivered from research conducted by Mansoori and Joriah Muhammad (2012), which there is negative correlation between average days sales outstanding and gross profit margin. Then, Majeed *et al.* (2012) also describe that there is negative correlation among ROA, ROE and Operating Profit as profitability indicator.

In accordance with research conducted by Mathuva (2010), it shows that significant prositive correlation is emerged between period of account payable movement and profitability. Result of this study, is supported by Falope and Olubanjo (2009) which describe that availability of corporate's cash can be used to fulfill the needs of working capital through suspending payment to vendor.

Another research conducted by Raheman *et.al* (2010) found that there is negative correlation between average of days payable outstanding and net operating profit. The similar result is also stated by Falope and Olubanjo (2009) which is there is significant negative correlation between those variables, and even research by Korankye (2013) stated that there is negative correlation between DPO and profitability through gross operating profit margin.

Study by Majeed *et al*. (2012), Mansoori and Joriah Muhammad (2012), Garcia *et.al* (2011), Raheman *et al.* (2010), Mathuva (2010), Sen and Oruc (2009) and Uyar (2009) has found that one of indicator in effectiveness of working capital management is cash conversion cycle and the research yield that there is significant negative correlation between cash conversion cycle and corporate's profitability, such as net income which represented by Return on Asset.

Based on Garcia *et. al* study (2011), current ratio has negative correlation toward profitability significantly. This Joanna's study is also supported by research conducted by Sen and Oruc (2009) which shows that current ratio is integrated negatively to return on asset as indicator of profitability. Correlation between profitability and current ratio is negative, it means that the high current ratio that driven by a higher current asset compare to current liabilities will degrade the corporate's profitability.

From the early study result by Nidya Afrinda (2013), Debt to Equity Ratio has negative influence and not significantly toward Return on Asset which as one of profitability indicator.

Nevertheless, this study has different result with Budi Priharyanto (2009) who found that Debt to Equity Ratio has positive correlation with Return on Asset in field of food and beverage industry in Indonesia. It is due to the high degree of trust from external party that potentially support corporate's performance, because through the higher capital, it opens opportunity for corporate to gain more profit.

According to study from Deloof (2003), fixed financial asset has positive correlation towards profitability. This also support by Idfan Utama (2010) who explained that fixed financial asset and

profitability has positive correlation. This indicates that through enhancement of fixed financial asset components in corporate's total assets, thus corporate's profitability will raise consistently.

Research by Sayekti and Wondabio (2007) shows that disclosure of CSR has negative correlation with earning response coefficient that as one of indicator on corporate's value. This indicates that investors appreciate CSR information which disclosed by corporate in annual report, while making a decision for investing. This Sayekti's study is also supported by Rustiarini (2010) where conveys that CSR disclosure gives positive correlation toward corporate's value.

According to the earlier studies, hence there are several hypothesis are constructed, which describe correlation among variables of working capital, current ratio, debt ratio, asset structure toward corporate's profitability and also variable of corporate social responsibility towards corporate's value in this research. Those hypothesis are shown on Table 1.

Tabel 1. Hypothesis, correlation between financial variables and disclosure of CSR toward profitability and corporate's value

No	Financial variable and CSR disclosure	Hypothesis, correlation between financial variable and CSR disclosure toward profitability and corporate's value
1	Cash Conversion Cycle	(-)
2	Days Sales Outstanding	(-)
3	Days Inventory Outstanding	(-)
4	Days Payable Outstanding	(+)
5	Current Asset	(+)
6	Debt Ratio	(-)
7	Financial Fixed Asset Ratio	(+)
8	CSR Disclosure	(+)

III. RESEARCH METHODOLOGY

This reaserch uses secondary data that obtained from Annual Report and Audited Financial Statement. The data analysis uses period from 2008 until 2013 through published data where accessable in Indonesia Stock Exchange official website (www.idx.co.id).

This research specifically intended to automotive industry that listed in Indonesia Stock Exchange. Data from Indonesia Stock Exchange (IDX) for period of 2008-2013 indicates that there are 12 companies listed, as follow:

Table 2. Automotive Industry listed in IDX

No	Emiten Code	Company Name
1	ASII	Astra Internasional Tbk
2	AUTO	Astra Autopart Tbk
3	BRAM	Indo Kordsa Tbk
4	GDYR	Goodyear Indonesia Tbk
5	GJTL	Gajah Tunggal Tbk
6	IMAS	Indomobil Sukses Internasional Tbk
7	INDS	Indospring Tbk
8	LPIN	Multi Prima Sejahtera Tbk

9	MASA	Multistrada Arah Sarana Tbk
10	NIPS	Nipress Tbk
11	PRAS	Prima Alloy Steel Universal Tbk
12	SMSM	Selamat Sempurna Tbk

Variables that will be analyzed in this research consist of cash conversion cycle, days sales outstanding, days inventory outstanding, days payable outstanding, current ratio, account payable ratio, asset structure, and CSR disclosure. Those will be examined in order to find model of correlation between financial variable in the direction of corporate's profitability through analytical regression data panel. Then, another research methodology will be concerned to correlation between profitability variable and CSR disclosure, either both have correlation or not toward corporate's value through Tobin's q ratio measurement.

The researcher uses Data Panel Regression methodology to identify correlation between profitability and working capital variable, financial ratio, and asset structure, and also influence of profitability and CSR disclosure towards corporate's value. The constructed model will follow general equation as below :

Profitability as dependent variable (exclude variable of DSO, DIO, and DPO) :

$$OPROA_{it} = \alpha + \beta_1 CCC_{it} + \beta_2 CR_{it} + \beta_3 DER_{it} + \beta_4 FFAR_{it} + \varepsilon_{it} \quad \text{..... (1)}$$

Profitability as dependent variable (exclude variable CCC) :

$$OPROA_{it} = \alpha + \beta_1 DSO_{it} + \beta_2 DIO_{it} + \beta_3 DPO_{it} + \beta_4 CR_{it} + \beta_5 DER_{it} + \beta_6 FFAR_{it} + \varepsilon_{it} \quad \text{...(2)}$$

Corporate's value as dependent variable :

$$MVR_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 OPROA_{it} + \varepsilon_{it} \quad \text{..... (3)}$$

Remarks :

$OPROA_{it}$ = *Operating Profit Return on Asset* (percent)
DSO_{it} = *Days Sales Outstanding* (days)
DIO_{it} = *Days Inventory Outstanding* (days)
DPO_{it} = *Days Payable Outstanding* (days)
CR_{it} = *Current Ratio* (percent)
DER_{it} = *Debt to Equity Ratio* (percent)
$FFAR_{it}$ = *Fixed Financial Asset Ratio* (percent)
MVRit = Market Value Ratio (times)
CSRit = CSR disclosure (times)
i = company sequence (i = 1, 2, ..., 12 corporates)
t = series period 2008-2013
α = intercept
β_{1-7} = variable coefficient
ε_{it} = error term

IV. RESEARCH RESULT

Descriptive Statistical Analytic

In this research, there are eight variables (OPROA, DSO, DIO, DPO, CCC, CR, DER, FFAR) with a total samples is 72 samples from period 2008-2013. In appendix 1, it shows minimum value, maximum value, mean, median, standard deviation, and even variety of variable coefficient.
Several explainations in regards of statistical measurement are described as follow:

Operating Profit Return on Asset (OPROA)

In this research analysis, Operating Profit Return on Asset (OPROA) represents the degree of corporate's profitability. OPROA is a result of operating profit (EBIT) divided by total assets. Appendix 1 shows that in average, profitability in automotive industry period of 2008-2013 is 8.94%, with a minimum value by -1.46% and maximum value by 24.99%. Automotive industry has low average profitability where the average of cash convertion cycle (CCC) is 115 days and positive value. It means the industry needs higher working capital in purpose of corporate operational activity needs, hence automotive industry leans to conservatively in terms of managing the working capital usage.

Days Sales Outstanding (DSO)

In accordance with descriptive statistical analysis, it results average of days needed by consuments to execute their payment to automotive industry is 57.67 days. The highest DSO value is 246 days from PT Prima Alloy Steel Universal Tbk in 2009 period, with a reason by the impact of export declining to developed countries due to global economic crisis since 2008. Meanwhile, the lowest DSO value is 20 days, from PT Multistrada Arah Sarana Tbk in 2010 period, where the corporate's collectivity level is 18 times compare to prior year, 16 times.

Days Inventory Outstanding (DIO)

Based on descriptive statistical analysis, the average of days inventory outstanding (DIO) in automotive industry is 104.63 days with a maximum value is 338 days, and minimum value is 34 days. The longer days of inventory outstanding period, thus the longer days needed to sale the inventory, which cause the corporate has to provide more working capital.

Days Payable Outstanding (DPO)

According to descriptive statistical analysis, the average of payment period from aoutomotive industry is 47.94 days with value maximum of 142 days and value minimum of 10 days. DPO is average of payment period of a company. The longer payables are paid, hence the longer corporate's cash flow will be returned for working capital.

Cash Conversion Cycle (CCC)

Persuant to descriptive statistical analysis result, average of cash convertion cycle in automotive industry period 2008-2013 is 114.35 days, with a maximum value of 412 days and minimum value is 18 days. If CCC has negative value, it means that payment period is longer than account receivable and inventory convertion.

Current Ratio (CR)

Current ratio is ratio of current assets and current liabilities. Appendix 1 describes that average CR in automotive industry listed in Indonesia Stock Exchange for period 2008-2013 is 162.60%

with the lowest CR is 48.18% and the highest CR is 401.76%. In practical, the favourable liquidity standard is 200% or 2 : 1. However, this liquidity standard is not absolutely applied, because it also depends on sort of industry. Based on descriptive statistical analysis result, average CR for automotive industry is 162.60%. This indicates that liquidity of automotive industry almost reach the liquidity standard, 200%. Nonetheless, the high value of CR also means that the corporate has less efficiency in terms of managing current assest, thus corporate's current assets become over than it supposes to.

Debt Equity Ratio (DER)

This ratio measures the corporate's liability in covering corporate's purchase or investment or corporata's assets. From descriptive statistical analysis result, it indicates that average of DER in automotive industry period 2008-2013 is 156.01%. The minimum value of DER is 19.99% and the highest one is 1062.15%. The higher debt equity ratio, hence the higher corporate's risk will be, because most of corporate assets are covered by its debt.

Fixed Financial Asset Ratio (FFAR)

The assets structure which measured by FFAR is ratio of fixed assets towards total assets. Based on Appendix 1, average of FFAR in automotive industry listed in Indonesia Stock Exchange for period 2008-2013 is 50.56% with maximum value of 78.10% and minimum value 25.62%.

The higher financing from additional corporate's assests, such as machinery, production equipment, and etc, is able to increase the production volume, since the equipment is increase, and also potentially to enhance the sales volume, where at the end will raise the corporate's profit.

Regression Panel Result

First Model (exclude variable DSO, DIO and DPO)

Chow test is intended to identify Common Effect Model/Pooled Least Square (PLS) or Fixed Effect Model (FEM) that will be selected.

Result from Chow Test in appendix 2 shows that if value of p 0.0000 < alpha 5%, Fixed Effect Model (FEM) approach is better than model with Common Effect.

Hausman Test is aimed to determine Random Effect Model (REM) or Fixed Effect Model (FEM) that will be selected.

Hausman Test in appendix 3 demonstrates that if value of p 1.0000 > alpha 5%, H_0 is accepted, hence the selected model is Random Effect, because value of F close to alpha 5% that shows cross section diversity test is not valid. Therefore, Fixed Effect is selected for this research.

Table 3. Regression Result by Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CCC	-2.139853		-2.353059	0.0222
CR	0.013862	0.005490	2.524856	0.0144
DER	-0.002365	0.001934	-1.222824	0.2265
FFAR	-0.153074	0.050691	-3.019782	0.0038
C	24.34881	5.145903	4.731688	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.878071	Mean dependent var		10.66961
Adjusted R-squared	0.845412	S.D. dependent var		6.744407
S.E. of regression	2.935815	Sum squared resid		482.6646
F-statistic	26.88564	Durbin-Watson stat		2.155001
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.796287	Mean dependent var		8.936806
Sum squared resid	499.0428	Durbin-Watson stat		2.303901

The above regression result shows that F-Test has value of p 0.0000 < alpha 5% which means this model is proper to be used. Next, T-Test shows that all independent factors have significant influence and not significantly toward profitability (operating profit, return on asset) since it has p-value (Prob.) < alpha 5%. Independent factors that have significant control are cash conversion cycle, current ratio, and fixed financial asset ratio, whereas the independent factor that not affect significantly is debt to equity ratio. R-Square value is 87.89%, which indicates its assortment. The remaining 12.19% is appeared from other factor beyond this model (exclude from above equation). Profitability of this research is calculated from operating profit return on asset, where symbolize as OPROA on the equation.

The equation of initial regression panel model in this research is shown below :

OPROA = 24,349 – 2,140 CCC + 0.014 CR - 0.002 DER - 0.153 FFAR

Cash Conversion Cycle (CCC) variable has significant influence to operating profit return on asset. In this research coefficient CCC impacts negatively to profitability, hence Ha_4 is verified,

Cash Conversion Cycle has negative impact and significant toward operating profit return on asset. Coefficient CCCC -2.140 indicates that when CCC adds 1 day, hence profitability will descent 2.14%.

This result is supported by study from Astrid (2012) that found cash conversion cycle which used as comprehensive measurement in working capital management is also has negative correlation towards corporate's profitability. It is demonstrated through if cash conversion cycle is deducted, days sales outstanding and operational cycle enhance corporate's profitability. The similar result study is also found by Mansoori dan Joriah (2012) and Raheman *et.al* (2010), cash conversion cycle has negative correlation in significant way to corporate's performance, measured from return on asset.

Variable of Current Ratio (CR) has positive correlation and significant towards operating profit return on assets. Hypothesis Ha_5 (has negative and significant correlation toward profitability) is not valid. The increase of current ratio for 1% will add OPROA for 0.014%.

The higher current ratio, the lower corporate's risk will be. It is favourable because asset financed by payable is show in a low level as well. According to research conducted by Muhammad Azam and Irfan Haider (2011), current ratio has positive correlation significantly to profitability (measured by return on asset). Correlation between corporate's profitability and current ratio is positive, it means current ratio is high (current asset is higher than current liabilities) will enhance the corporate's profitability. In this case, corporate has to accurately determine the asset balance to support corporate's performance and its profitability.

Debt to equity ratio (DER) has negative correlation and not significant towards operating profit return on asset, the higher payables balance, the lower profitability will be. Hyphothesis Ha_6 is rejected, Debt to Equity Ratio has negative and significant impact towards operating profit return on asset. Coefficient DER -0.002 shows when DER increases for 1%, hence OPROA will decrease for 0.002%. This is supported by Nidya Afrinda (2013) who found that the higher Debt to Equity ratio, means the higher interest expense charge to corporate. In the other words, it will deduct the profitability.

Variable of Fixed Financial Asset Ratio (FFAR) impacts negatively and significantly to operating profit return on asset. It contradictives with hypothesis Ha_7 which states that Fixed Financial Asset Ratio has positive and significant correlation to operating profit return on asset. Coefficient FFAR -0.153 explains when FFAR increase for 1%, hence OPROA will decrease for 0.153%. This sudy result is supported by Ririn Setiorini (2009). Her research conveyed that through enhancement of fixed financial asset component in corporate's total assets, profitability measured by return on asset will be descending. In addition, research from Astrid (2012) found that there is negative correlation between fixed financial asset and profitability which measured by operating profit return on asset.

Second Model (exclude variable CCC)

In purpose of decending the multicolinearity, hence at this second model, variable of CCC is excluded because CCC components which consist of DSO, DIO, and DPO has been included in regression panel equation. In order to know Pooled Least Square (PLS) model or Fixed Effect Model (FEM) that will be selected for data estimation, it can be conducted through Chow Test.

Result from Chow Test in appendix 4 shows that p-value 0.0000 < alpha 5% , means Fixed Effect Model (FEM) is selected. Further, Hausman Test is conducted for determince whether Rando Effect Model (REM) or Fixed Effect Model (FEM) is going to be selected.

Based on Hausman Test result in appendix 5 shows that p-value 1.0000 > alpha 5%, H_0 is accepted, means Random Effect is the appropriate model. It is due to F-Test value close to 5% alpha that shows cross section diversity test is not valid, thus Fixed Effect is selected in for this research.

Table 4. Regression Result by Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DSO	-4.514923	1.178715	-3.830376	0.0003
DIO	-3.112922	1.266022	-2.458821	0.0172
DPO	0.797229	1.041928	0.765148	0.4475
CR	0.019260	0.006184	3.114379	0.0029
DER	-0.003977	0.001845	-2.155748	0.0356
FFAR	-0.160756	0.046929	-3.425489	0.0012
C	43.15872	8.617624	5.008193	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.885482	Mean dependent var		10.73443
Adjusted R-squared	0.849431	S.D. dependent var		6.425274
S.E. of regression	2.813822	Sum squared resid		427.5502
F-statistic	24.56137	Durbin-Watson stat		2.289304
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.801059	Mean dependent var		8.936806
Sum squared resid	487.3515	Durbin-Watson stat		2.510992

The above regression result states that F-Test has p-value 0.00000 < alpha 5%, means this model is valid. T-Test shows that all independent factors have significant influence and not significant toward profitability (operating profit return on asset) because it has p-value (Prob.) < alpha 5%. Independent factors that have significant control are, Days Sales Outstanding, Days Inventory Outstanding, Current Asset, Debt to Equity Ratio dan Fixed Financial Asset Ratio, whereas the independent factor that not affect significantly is Days Payable Outstanding. R-Square value is 88.55%, which indicates its assortment. The remaining 11.45% is appeared from other factor beyond this model (exclude from above equation). Profitability of this research is calculated from operating profit return on asset, where symbolize as OPROA on the equation. The number of cross section data is 12 corporates and time series data is 6 years.

The equation of initial regression panel model in this research is shown below :

OPROA = 43,159 – 4,514 DSO – 3,113 DIO + 0,797 DPO + 0.019 CR - 0.0040 DER - 0.161 FFAR

Variable of Days Sales Outstanding (DSO) has negative and significant correlation towards operating profit return on asset. Hyphothesis Ha2 is accepted, variable DSO has negative correlation and significant toward profitability measured from operating profit return on asset.

Coefficient DSO amounted -4.515 shows when DSO increase for 1 day, profitability will decrease for 4.515%.

This result is encouraged by Falope and Olubanjo's research (2009), DSO has negative correlation and significant toward corporate's profitability which measured by return on asset. The similar research result is found by Mathuva (2010), DSO has negative correlation significantly to corporate's profitability where the lower period of account receivable collection will increase corporate's profitability.

Days Inventory Outstanding (DIO) has negative and significant influence to operating profit return on asset. Hyphothesis Ha_1 is rejected, Days Sales Outstanding has negative correlation and significant towards operating profit return on asset. When DIO increase for 1%, hence OPROA will decrease for 3.113%. This align with research result from Muhammad Azam (2011) that stated Return on Equity has negative correlation to DIO significantly. Correlation between inventory and net operating profit shows that if average days inventory outstanding increase will negatively impact to profitability. Similar research result also founded by Lazaridis and Tryfonidis (2006), there is negative correlation between average days inventory outstanding with gross operating profit.

Days Payable Outstanding (DPO) has positive correlation and not significant towards operating profit return on assets. Hypothesis Ha_3 is rejected, Days Payable Outstanding has positive correlation and significant toward operating profit return on asset. When DPO increases for 1%, hence OPROA will decrease for 0.797%. This align with result study by Mathuva (2010) which stated there is significant positive correlation between period of account payable cycle with profitability. Falope and Olubanjo (2009) also have the same perspective that the availability of corporate's cash can be used for working capital needs through suspending payment to vendor.

Current Ratio (CR) variable has positive correlation and significant toward operating profit return on assets. Hypothesis Ha_5 is rejected, Current Ratio has negative and significant toward operating profit return on asset. If CR increase for 1%, OPROA will also increase for 0.019%.

Debt to Equity Ratio (DER) has negative and significant correlation towards operating profit return on asset, the higher payables balance, the lower profitability will be. Hypothesis Ha_6 is accepted, Debt to Equity Ratio has negative and significant correlation toward operating profit return on asset. Coefficient DER amounted -0.0040 means that if DER increase for 1%, OPROA will decrease for 0.0040%.

Variable of Fixed Financial Asset Ratio (FFAR) has negative and significant correlation towards operating profit return on asset. This research result is contradictively with hypothesis Ha_7 which conveys that Fixed Financial Asset Ratio has positive and significant correlation toward operating profit return on asset. If FFAR increases for 1%, OPROA will decrease for 0.161%.

Third Model (Corporate's value as dependent variable)

In order to decide either Pooled Least Square (PLS) or Fixed Effect Model (FEM) that will be selected for estimation, Chow Test can be implemented.

The result of Chow Test in appendix 5 shows that p-value 0.0000 < alpha 5% , means Fixed Effect Model (FEM) approach is selected. Then, Hausman Test is implemented as well due to determination of which either Random Effect Model (REM) or Fixed Effect Model (FEM) is selected.

According to Hausman Test result in appendix 6, it shows p-value 1.0000 > alpha 5%, means H_0 is accepted, hence Random Effect is selected due to value of F-Test exceeds alpha 5% which shows cross section diversity test is not valid, that brings Fixed Effect is selected.

Table 5. Regression Result by Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	0.118158	0.056036	2.108608	0.0393
OPROA	0.010040	0.004589	2.187938	0.0327
C	0.949311	0.068897	13.77879	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.694807	Mean dependent var		2.542132
Adjusted R-squared	0.626402	S.D. dependent var		1.763363
S.E. of regression	0.410514	Sum squared resid		9.774249
F-statistic	10.15722	Durbin-Watson stat		1.656542
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.567612	Mean dependent var		1.137500
Sum squared resid	10.68289	Durbin-Watson stat		0.804246

F-Test shows p-value 0.000 < alpha 5%, means this model is valid to be used. Then, T-Test shows independent variables that significantly effects to MVR is variable CSR disclosure and OPROA, due to p-value (Prob.) < alpha 5%. R-Square value = 69.48%, which indicates its assortment. The remaining 20.52% is explained from other factors beyond this model. The second regression model equation in this research is :

MVR= 0,949 + 0.118 CSR + 0.01 OPROA

Analysis from this regression panel shows that there is positive correlation and significant between variable of Corporate Social Responsibility (CSR) disclosure and corporate's value. Hyphotesis Ha8 is valid, by having CSR disclosure in corporate's annual financial report, it brings positive impact to the corporate itself.

According to Kotler and Lee (2005), it stated that corporate's participant in any form of CSR can give favourable advantage to the corporate, for instances, increase on sales and market share, stronger brand positioning, enhance corporate's image and influence, improve corporate's ability in

the terms of motivating and protecting the employees, minimize operational cost, and attract investor.

This result study is aligned with Sayekti and Wondabio (2007), stated that CSR disclosure has negative correlation towards earning response coefficient as one of corporate's value indicator. It indicates investors have appreciation on the information of corporate's CSR disclosure in the annual report, while making a decision for investing. This Sayekti and Wondabio's point of view is also line up with Rustiarini (2010) who conveyed that by having CSR disclosure, corporate's value will positively affected as well.

Variable of operating profit return on asset (OPROA) has positive and significant correlation towards corporate's value (measured by Tobins' Q Ratio). This result aligns with research conducted by Indah and Abudanti (2012). The higher level of corporate's profitability, hence the higher level of prosperity is provided by corporate to the shareholder will be. This enhancement of prosperity, also potentially attracts more investors to have that corporate and together with positive impact on market share. In the other words, it grants the augmentation on corporate's value.

V. CONCLUDING REMARKS

Overall, the result of this research has delivered that there is correlation among variable of working capital, financial ratio, asset structure toward profitability and disclosure of corporate social responsibility and profitability which affects to corporate's value in automotive industry listed in Indonesia Stock Exchange. By the existence of this study, the researcher expects that this would bring a favourable advantage for stakeholders as positive consideration while making particular decision.

Automotive industry is better to implement aggressive policy in regards of working capital management. This is intended to increase net operating return on assets through declining on cash convertion cycle, that impact on enhancement of cash convertion cycle movement and also the working capital needed is going to be lower, and finally increase corporate's profit. Nevertheless, in aspect of cash convertion cycle, the enhancement has to be implemented to account receivables collection and inventory convertion, whereas for the payment term to supplier, it is better to be hold until it is meet the due date. Thus, liquidity of corporate's working capital could be well maintained.

The corporates should put concern towards their CSR activities, because the CSR disclosure in financial statement could bring positive contribution to investors while they are making a decision to invest.

For the future research, it is suggested to apply another Working Capital variable with different scope of industry in Indonesia.

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Appendix 1. Descriptive Statistic working capital variables and profitability in Automotive Industry period 2008-2013

	OPROA	DSO	DIO	DPO	CCC	CR	DER	FFAR
Mean	8.94	57.67	104.63	47.94	114.35	162.60	156.01	50.56
Median	8.51	53.00	84.50	44.00	94.11	139.31	100.25	50.95
Maximum	24.99	246.00	338.00	142.00	412.00	401.76	1,062.15	78.10
Minimum	(1.46)	20.00	34.00	10.00	18.00	48.18	19.99	25.62
STD Deviasi	5.87	35.04	70.27	24.87	85.43	73.76	174.22	12.39
Observations	72	72	72	72	72	72	72	72
Koefisien keragaman	0.66	0.61	0.67	0.52	0.75	0.45	1.12	0.25

Appendix 2. First Model – Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	27.563238	(11,56)	0.0000

Appendix 3. First Model – Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	4	1.0000

Appendix 4. Second Model – Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	20.259410	(11,54)	0.0000

Appendix 5. Second Model – Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	6	1.0000

Appendix 6. Third Model – Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.214442	(11,58)	0.0000

Appendix 7. Third Model – Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	2	1.0000