

EFFICIENCY OF USING ASSET AND FINANCIAL PERFORMANCE: THE CASE OF INDONESIA MANUFACTURING COMPANIES

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Abstract. This study analyzes the impact of asset use efficiency on financial performance and the impact of financial performance on shareholders' wealth. By using a research sample of manufacturing firms listed on the Indonesia Stock Exchange (IDX), the purpose of this study is to test whether: 1) the efficiency of using asset has a positive impact on financial performance and 2) financial performance has a positive impact on the welfare of shareholders. The analytical method uses SEM (Structural Equation Model) –(PLS (Partial Least Square) using WarpPLS 5.0. The asset efficiency variable is measured by activity ratios and the shareholder wealth variable is measured by stock return and firm value. The analytical techniques that used are outer model and inner model analysis. The variables of asset efficiency and shareholder wealth are measured variables and the financial performance variable is latent variable. The proceeds of his study state that the activity ratio: 1) working capital turnover (WCT), receivable turnover (RCT), inventory turnover (INT), total asset turnover (TAT) have a positive impact on financial performance, and 2) cycle of cash conversion (CCC) has a negative impact on financial performance. The results of this study also states that financial performance positive impact on stock return and firm value. Thus, this study finds that the efficiency of using asset has a positive impact on financial performance, and performance of financial has a positive impact on stockholder wealth.

Keywords: Activity ratio, cash conversion cycle, stock return, firm value, financial performance, and shareholder wealth

Abstrak. Studi ini menganalisis dampak efisiensi penggunaan aset pada kinerja keuangan dan dampak kinerja keuangan pada kekayaan pemegang saham. Dengan menggunakan sampel penelitian perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI), tujuan dari penelitian ini adalah untuk menguji apakah: 1) efisiensi penggunaan aset memiliki dampak positif pada kinerja keuangan dan 2) kinerja keuangan memiliki dampak positif pada kesejahteraan pemegang saham. Metode analisisnya menggunakan SEM (Structural Equation Model) - (PLS (Partial Least Square) menggunakan WarpPLS 5.0. Variabel efisiensi aset diukur dengan rasio aktivitas dan variabel kekayaan pemegang saham diukur dengan return saham dan nilai perusahaan. Teknik analisis yang digunakan adalah analisis *outer model* dan *inner model*. Variabel efisiensi aset dan kekayaan pemegang saham adalah variabel terukur dan variabel kinerja keuangan adalah variabel laten. Hasil penelitiannya menyatakan bahwa rasio aktivitas: 1) turnover modal kerja (WCT), perputaran piutang (RCT), perputaran persediaan (INT), perputaran total aset (TAT) memiliki dampak positif pada kinerja keuangan, dan 2) siklus konversi tunai (CCC) memiliki dampak negatif pada kinerja keuangan. Hasil penelitian ini juga menyatakan bahwa kinerja keuangan berdampak positif terhadap return saham dan nilai perusahaan. Dengan demikian, penelitian ini menemukan bahwa efisiensi penggunaan aset memiliki dampak positif pada kinerja keuangan, dan kinerja keuangan memiliki dampak positif pada kekayaan pemegang saham.

Kata Kunci: Rasio aktivitas, siklus konversi tunai, return saham, nilai perusahaan, kinerja keuangan, dan kekayaan pemegang saham

INTRODUCTION

Every year, the business in Indonesia continues to grow. Firms continue competing to get positions in the market in order to keep the survival of the company and ultimately can improve the shareholders wealth by maximizing the firm value (Miswanto, 2018). For the wealth of shareholders, firms must increase the efficiency of using assets. Some studies show that there is a relationship between an efficiency of the use of assets and a financial performance. Horne and Wachowicz (2009) state that efficiency positive impact on performance of financial. Then the performance is expected to have a positive influence on the shareholders wealth (Ross et al, 2015). According to shareholder theory, the wealth of shareholders is reflected by the share price or rate of return on stocks. The higher the stock price indicates the higher the wealth of the shareholders (Arnold, 2013).

According to Fahmi (2012), financial performance is an explanation of the achievement of the firms' success or the results achieved on various activities that have been carried out by the firm. Therefore, to assess the firms' financial performance, a relevant information is required relating to the company's activities in a specific period of time. The performance of financial can be evaluated by using firm's financial statements that describe the financial positions of a company in a period. The efficiency of the use of funds can be measured by the ratio of company activities and cash conversion cycle. Data needed to get financial performance can be in the form of activity ratios and cash conversion cycles. Then, the shareholders wealth can be measured by stock returns and firm value.

In this study, analysis of asset use efficiency is represented by activity ratio analysis and cash conversion cycle. In accordance with Harahap (2011), the activity ratio describes the activities carried out by the firm in carrying out its operations both in sales, purchases and other activities. While the cycle of cash conversion shows the time interval between spending cash for purchasing raw materials until the time of accumulation of cash from the revenue of finished goods. The longer cycles indicate less inefficiency (Deloof, 2003).

According to Esthirahayu (2014), Indarnika et al. (2013), and Abbasi and Bosra (2012) that the cycle of cash conversion state that the cycle has a negative impact on company profitability. In computing the firm's financial performance, researchers use measurement indicators namely return on assets (ROA), Return on Equity (ROE), Earning per Share (EPS). ROA is taken to describe the extent to which the capability of assets owned by a company can get profits (Tandelin, 2001 and Kumusari et al., 2018). ROE is measured by the ratio between net income and total equity. EPS information is information that is considered the most important and useful for stakeholders, because it can describe the earning prospects in the future firm (Tandelin, 2001).

Through the analysis conducted on the financial performance, it is expected that in the end it can give an overview of the value of the firm that can affect investor perceptions and stock returns that investors will obtain. According to Husnan and Pudjiastuti (2006), the firm value indicates the price that is willing to be paid by prospective view of buyers if the company is sold. The higher the value of the firm, the higher the firm wealth that owners of the firm will receive. While returns of common stock are the results got from investment activities. Increased company performance indicates the level of return to be obtained by investors will also increase (Meythi, 2013).

Previous research conducted by Sunarto (2001) that has tested the impact of profitability ratios and leverage on returns of common stock in manufacturing firms on IDX, the results state that ROA has a negative impact on return of common stock in the 1998/1999 period. Sunanta and Pranata (2003) conclude that profitability (ROA) has a negative impact on Firm Value. Of course their findings contradict the existing theories. Sari (2016) concludes that ROE has an effect on returns of common stock. This is different from the research of Rochmah and Fitria (2017) concludes that

profitability positive impact on firm value. Widhiastuti and Latrini (2015) show that ROA positive impact on firm value. Profitability ratios have a positive effect on stock price (Pasaribu, R. B. F, 2008). These findings are in accordance with existing financial theories. Because there are different findings, similar research needs to be repeated and refined to obtain results that are in line with expectations

Researches on the effect of the efficient of using assets on the performance of the above companies are carried out separately with reseraches on the impact of performance of finance on value of the firm and stock returns. In addition, the data sample used uses a more limited period of year and number, and some research results are not as expected. Between one and the other research, the results of the study are different. In order to get more comprehensive and better research results, this study tries to combine the two research groups mentioned above. By using more up-to-date data, more time periods and more companies, this study examines whether the efficiency of using asset affects financial performance, and whether the company's performance affects shareholders wealth.

The explanation above underlies the problem in this study. The main problem are: 1) Does the efficiency of using assets have a positive impact on the financial performance, and 2) Does the financial performance have a positive impact on the wealth of shareholders. By using a research sample of manufacturing that goes public on IDX, the study aims to test whether the efficiency of using asset positive impact on firm's financial performance and test whether firm's financial performance positive impact on the wealth of shareholders. Manufacturing companies (manufacturing industry) on the IDX include the basic and chemical industrial sectors, various industrial sectors and the consumer goods industry sector.

Refer to the main the problem and the aim of the study, the theoretical and practical benefits of this research are that this study is estimated to contribute in the form of empirical and practical evidence to financial management theories related to the effect of the efficient of using assets on performance, and the influence of financial performance on shareholder wealth. The evidence is expected to be used by firm managers and investors in decision making. Firm managers can consider how much influence the efficiency of the use of assets on performance of firm's financial and the influence of firm performance on the welfare of shareholders, both in manufacturing and other industries. Investors also can consider the results of the company's fundamental analysis to be considered in conducting stock trading transactions. This study is hoped to also be a reference for researchers in the field of financial management. Research topics that can be carried out by the next researcher can be in the form of development and application of agency, stakeholder and firm value theory in the field of corporate financial management. These topics include dividend, capital structure, investment policies, and achievement of company goals.

LITERATURE REVIEW

In stakeholder theory, the definition of stakeholders according to Freeman and McVea (2001) is that each group of individuals could effect or be effected by the achievement of organizational goals. Duran and Davor (2004) argue that stakeholders are shareholders, workers, suppliers, banks, customers, government and communities and they have a significant role in the organization. The organization of the firm is expected to run activities that are considered important by their shareholers and stakeholders, and then report back on these activities to stakeholders. The main objective of stakeholder theory is to help company management improve value creation as a consequence of the firm's operating activities and minimize the losses that may arise to their stakeholders.

So, the use of stakeholder theory as the theoretical basis for this research is because this theory is able to explain the relationship between exogenous variables (activity and cycle of cash conversion ratio) and endogenous variables (financial performance, returns of equity and value of the firm). Management is expected to be able to perform activities that are indicated through the ratio of activities and cash conversion cycle that will produce financial performance and can report to stakeholders to be used as a material or input for decision making. Besides being based on stakeholder theory, this research bases also on agency theory and the firm value theory

Using the theory of agency, Kang et al. (2006) states that firm managers must make investment decisions on assets that can be used efficiently. The efficiency of using assets in this study is measured by financial ratios and the cycle of cash conversion. According to Kasmir (2012), the activity ratio is the ratio used to proxy the effectiveness of a firm in using its assets. This ratio is taken to proxy the degree of efficiency and effectiveness of the utilization of firm resources (Fahmi, 2012). Activity ratios do not only measure the height or low ratios that are calculated to determine whether or not the company finances, but the activity ratio is used to proxy management performance in running a company to achieve a predetermined target or target and the activity ratio calculation results not in percentage but how many times or a few days. So, the activity ratio is a way to investigate how a firm manages its resources for the effectiveness of a company that is operating. The types of activity ratios are summarized from several financial experts, namely: 1) working capital turnover, 2) receivable turnover, 3) inventory turnover, and 4) total assets turnover.

According to Horne and Wachowicz (2009), the cycle of cash conversion shows the time duration from actual cash expenditures for procurement to collection of receivables which are the proceeds of the sale of goods and or services. Companies that generally run a cycle start from buying inventory, selling merchandise on credit, and then charging their receivables. This cycle shows the cycle of cash conversion. The company's goal should be shortening cash conversion cycles as quickly as possible without disrupting operations. This will increase earnings, because the faster the cycle of cash conversion, the higher the external financing needs and the greater the costs required.

Irhan (2011) states financial performance is an analysis to see the extent to which a firm has used the rules of financial application properly and correctly. Financial ratio analysis is a firm achievement analysis instrument that describes various relationships and financial indicators that are studied to see changes in financial situations or past operating performance of the firm. Performance of financial can also be based on ROE, ROA and EPS. Refer to Jumingan (2011), return on equity can be taken to determine the firm's capability to generate net income through the use of its own capital. ROE represents the efficiency of a company that focuses on observing how far the firm's organization has used its own capital to get a decent profit. According to Hanafi and Halim (2003), ROA shows a ratio that sees the ability of a firm to get profits by using the total assets (wealth) owned by the company after adjusting for costs to fund those assets. Earning per share (EPS) is used to see a firm's ability to get profits per share for its owner (Tandelilin, 2001). Kasmir (2012) states that the definition of EPS shows a ratio to see the success of management in getting profits for shareholders.

Based on firm value theory, managers aim to maximize shareholder wealth (Arnold, 2013). In this study, shareholder wealth is measured by stock returns and company value. Return of common stock is the earning obtained by investors on the investment in shares that they do. Stock returns can be divided into two types (Jogiyanto, 2000), namely actual rate of return and expected rate of return. Actual rate of return is the return that has occurred and is computed based on historical data. Actual rate of return can be used to determine expected return and risk in the future, while expectation returns are expected returns in the future and are still uncertain.

According to Harmono (2009), the value of a firm is a performance which is reflected by the stock price formed by capital market demand and supply which reflects the community's valuation of the firm. Firm value is represented by the firm's market value. According to Yulius and Tarigan (2007), market value, many times stated exchange rate, is the price that occurs from the process of bargaining on the market of common stock. This value just be showed when the firm's shares are sold in the market of common stock. Firm value shows how good or bad management manages its prosperity, this can be seen from the measurement of financial performance obtained. A firm will try to maximize the firm value. An increase in the value of a firm is commonly characterized by an increase price of common in the capital market (Arnold, 2013).

The Impact of Efficiency of Using Assets on Financial Performance. Based on agency theory, managers will make efficient investment decisions (Kang et al, 2006). This decision can be seen through efficiency in the use of assets. In the theory of corporate financial management, the firm's financial condition is often measured by fundamental analysis. One fundamental analysis that is often used is the analysis of financial ratios. In the financial ratios, the efficiency of using assets can be measured by working capital turnover (WCT), receivable turnover (RCT), inventory turnover (INT), cycle of cash conversion (CCC) and total asset turnover (TAT) (Horne and Wahowicz, 2009). Riyanto (2008) states that WCT is the ability of working capital in a period of the cash cycle of the company. This is measured using sales divided by current assets after deducting current debt. The higher the turnover rate the more effective the use of working capital. This shows the number of sales obtained by the company. High sales can improve the company's financial performance, whereas a low turnover indicates excessive working capital.

Refer to the explanation above, the hypothesis this study could be written as follows:

H1.a: Working capital turnover has a positive impact on the firm's financial performance.

According to Riyanto (2008), accounts receivable turnover is the period of capital bound in receivable which depends on the terms of payment. The longer the payment terms, the lower the turnover rate during a given period. The greater the rate of receivable turnover will show the shorter the time between receivables created because the sale of credit with the payment of receivables will be better. According to Horne and Wachowicz (2009) and Ghozali (2014) explains that the higher the turnover of accounts receivable, the firm is successful in terms of collecting accounts receivable to minimize the possibility of uncollectible accounts. Refer to the description above, this hypothesis could be written as follows:

H1.b: Receivable turnover has a positive impact on the firm's financial performance.

The inventory turnover period can reflect good inventory management. The smaller the inventory turnover period, the faster inventory sales are carried out. High sales speeds mean companies can generate large profits. Sofyan (2011) states that the faster inventory turnover indicates the higher the profitability of a company. Refer to the explanation above, this hypothesis could be states as follows:

H1.c: Inventory turnover has a positive impact on the firm's financial performance.

According to Syamsudin (2009) states that TAT shows the level of efficiency of using all assets to get sales. This ratio shows how far the total assets ability to generate a revenue. This ratio improved, the firm's financial performance also improved. Of course, the amount of assets can increase sales volume if the total asset turnover increases. Therefore, TAT has positive impact on profitability. The explanation above can be taken to make the hypothesis as follows:

H1.d: Total asset turnover has a positive impact on the firm's financial performance.

The cash conversion cycle is the time interval between cash disbursement for raw material purchases until the time cash is compiled through the sale of finished goods (Deloof, 2003 and Ross et al., 2015). Raheman and Naasr (2007) show that a cash conversion cycle with a short time period means that the attachment to current assets is relatively fast, so the cash turnover is high. Conversely, if the cash conversion cycle with a long time shows that the attachment period is high and relatively long. This cycle can reduce the company's cash availability and can cause the company's inability to fund daily operational needs. In such a cash cycle, the production process is hampered. In the end, in that cycle, production capacity decreases and corporate financial performance also decreases. The hypothesis that stated as follows bases on the explanation above.

H1.e: Cycle of conversion has a negative impact on the firm's financial performance

The Impact of Firm's Financial Performance on Shareholders Wealth. By using theory of stakeholder and agency, Hill and Jones (1992) state that managers will create mutually beneficial relationships with firm owners or shareholders. One of them, the manager always tries to increase the firm's performance so that the welfare of shareholders can be achieved. Based on theory of the firm, shareholder wealth is measured by stock return and firm value (Arnold, 2013). Tandelilin (2001), regarding the efficient market hypothesis found by Fama (1970), states that stock prices reflect all available information. A study conducted by Santoso & Ikhsan (2020) find that the Indonesian capital market is efficient. Accordingly, financial performance has increased as indicated by rising share prices. The stock price increases resulting in the welfare of shareholders also increases. Widhiastuti and Latrini (2015) and Rochmah and Fitria (2017) find that profitability positive impact on firm value. Therefore, their findings reinforce that the firm value represented by the price or the rate of return on the stock reflects existing information.

One factor that is considered by investors is the issuer's ability to generate profits. If profits increase, theoretically stock returns will increase. Investors will choose companies that have high returns. Companies that have high returns are considered to be firms that have performance of good financial. One of the efforts of investors to evaluate the firm's financial performance is to analyze the financial ratios. Indicators used in research to assess the performance of financial are ROA, ROE, and EPS. The hypothesis that stated as follows bases on the explanation above.

H2a: The company financial performance has a positive impact on stock returns

Investors make an assessment of a company by looking at the financial performance produced. Because financial performance can know how effective the company is for investors. Where the indicators used by researchers are ROA, ROE, and EPS. The better the value of ROA, ROE, and EPS, the theoretical balance of the firm's financial performance is said to be good, which will affect the price book value (PBV) as a proxy of the firm's value (Arnold, 2013). The hypothesis that stated as follows bases on the explanation above.

H2b: The firms's financial performance has a positive impact on value the firm

METHOD

Quantitative methods are used in this study. Therefore, this study bases on the positivism philosophy. This method is taken to test specific populations or samples. The data used is in the format of quantitative data or statistical data. Then, the data is processed with the aim of examination the predetermined hypothesis (Sugiyono, 2014). This study applies quantitative methods by reason

of the research data are numbers derived from the firm's financial statements. Quantitative data analysis uses secondary data, which is the source of research data taken through other institutions. Data got during the study will be further managed based on theoretical and empirical studies that have been proposed for later analysis and conclusion.

In this research, the population used is manufacturing firms listed on IDX. We use the base year of the study named 2009. Sampling technique uses method of purposive sampling. The selection of samples using this method bases on certain considerations or criteria. The criteria for determining samples are 1) manufacturing firm listed in IDX Exchange during the period of 2010 to 2016, 2) manufacturing firms that publish consecutive financial statements for the period 2010 to 2016, and 3) firm data needed in this study is available. The data taken is secondary data derived from directory of Indonesian capital market and the annual reports of the firms for the period 2010-2016, which can be accessed on the website of IDX or www.idx.co.id. The research variables used are grouped into two types, namely exogenous variable (independent variable) and endogenous variable (dependent variable). Measurements of the variables are explained in Table 1.

The analysis model taken in this research uses structural equation modeling (SEM) and the analytical tool taken is partial least square (PLS) software. Then, SEM is one kind of multivariate analysis in field of social science (Singgih, 2011). WarpPLS version 5.0 is the software taken as an analytical tool. Structural model analysis on PLS is implemented in three stages (Ghozali, 2014), namely: 1) outer model analysis, 2) inner analysis of structural analysis models, and 3) hypothesis testing.

Analysis of outer model is done to secure that the measurement taken is feasible to be taken as a measurement (valid and reliable). Outer Model analysis could be explained from various indicators, specifically validity of convergent, validity of discriminant, and unidimensionality. Then, validity of convergent, which is the value of the loading factor on the latent variable with its indicators (expected value > 0.7). Validity of discriminant, which is the value of cross loading factor which is beneficial to find out whether the construct has adequate discriminant, that is by contrasting the loading value in the expected construct must be greater than the loading value with other constructs and unidimensionality, that is a specific concept (not general) which only contains one type of symptom. The model is executed to ensure that structural models are constructed robustly and accurately. Inner Model assessment could be showed from various indicators, specifically coefficient of determination (R^2), predictive relevance (Q^2), and Goodness of Fit Index (GoF). The hypothesis testing is held by considering at the probability and t-statistics values. For probability values, the p -value with alpha 5% is less than 0.05.

The testing of the hypothesis in this research uses data analysis techniques as follows (Ghozali, 2014): 1) Designing a structural model or inner model, 2) Measurement model or outer model, 3) Constructing path diagrams, and 4) Conduct estimates. The first is designing a structural model or inner model. The structural model explains the connection among latent variables constructed with the substantive theory. Designing a structural model of the relationship among variables of latent uses the main of the problem or the hypothesis. The assumption is that the latent variables and indicators or manifest variables are on the zero means scale and the unit variance is equal to one. Therefore the constant parameters can be removed from the model. The second is outer model (measurement model).

The outer model denotes how each indicator block relates to its latent variables. The design of the measurement model sets the nature of the indicators of each latent variable, whether reflexive or formative built on the variable operational definitions. Outer model (measurement model) is taken to examine validity of construct and reliability of instrument. Testing of validity is conducted to get the capability of research instruments to measure what should be measured (Cooper and Schindler,

2006), while testing of reliability is utilized for consistency of measuring instruments in measuring a concept. The third is constructing path diagrams. After step two, a path diagram is then formed. Path diagram construction can be seen in Figure 1. The fourth or last is conduct estimates. Method of parameter estimation in PLS shows the least squares method. The counting process is carried out by iteration, where the iteration will discontinue if convergent conditions have been reached.

Parameter estimation in PLS includes two things, namely: 1) Linking between variables of latent and the estimating of loading between variable of latent and their indicators and 2) Estimating the pathway that connects between latent variables and the estimation or prediction of loading between latent variables and their indicators.

Table 1. Variable Measurement

Variable	Measurement
Working capital turnover (WCT)	Current assets are divided by net current assets
Receivable turnover (RCT)	Net current assets is equi current asset minus current liability
Inventory turnover (INT)	Sales divided by account receivable
Total assets turnover (TAT)	Cost of good sold divided by inventory
Cash Conversion Cycle (CCC)	CCC = DSO + DSI + DPO DSO = receivable dividen by (sales : 365) DSI = inventory divided by (COGS : 365) DPO = debt divided by (COGS: 365)
Financial Performance (FP)	ROA = profit dividen by total assets ROE = profit dividen by equity EPS = profit dividen by outstandings shares
Stock Return (SR)	RT = $P_t - (P_t - 1)$ divided by $(P_t - 1)$
Firm Value (FV)	PBV= price divided by book value

Explanation: CCC = cycle of cash conversion, DSO = Days of sales outstanding, DSI = Days of sales in inventory, DPO = Days of payable outstanding, ROA= Return on asset, ROE= Return on equity, EPS= Earning per share, Rt= Stock Return, Pt = Stock price at the due period, PBV= Price Book Value, and Pt-1= Stock price before the due period.

Source: Horne and Wachowicz, 2009 and Ross et al (2015)

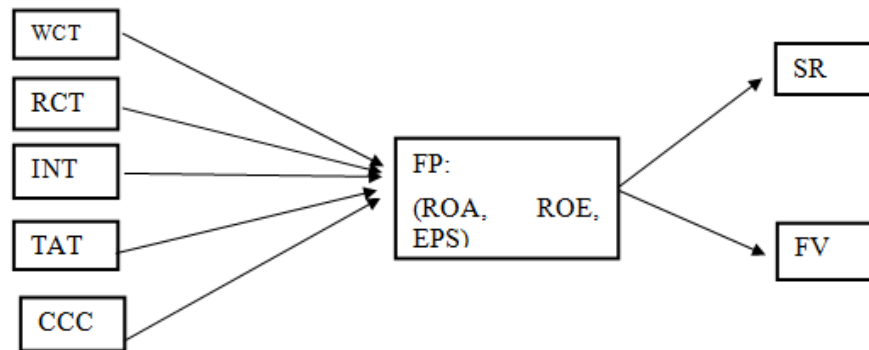


Figure 1. Research Model Path Diagram

Explanation:

WCT = Working capital turnover, RCT = Receivable turnover, INT = Inventory turnover, TAT = Total asset turnover, CCC = Cycle of cash conversion, FP = Financial Performance, SR = Stock return, and FV = Firm Value.

WarpPLS be utilized to get the best model by giving the counting of Average R-Square (ARS). ARS is used to assess the magnitude of the influence of exogenous and endogenous variables. The effect can be said to be good if the ARS value < 0.05 . Average Variance inflation factor (AVIF) is utilized to look the magnitude of the correlation between endogenous/multicollinearity variables that be said to be good if the AVIF value is < 0.5 .

Testing of the hypothesis in this study is done by testing the inter-variable relationship. Statistical tests done if the p-value < 0.05 (alpha 5%) is obtained, it is deduced to be significant, and conversely. When the examination results on the inner model are significant, it can be concluded that there is a significant impact. The implementation of this method enables the validity of distributed free data, doesn't need normal distribution assumptions, and does not need a big sample. The significance degree of the path coefficient in the model of WarpPls utilized in this research is p-value ≤ 0.05 . Thus a decision can be taken such as the following. When the path coefficient that connects two variables has p-value ≤ 0.05 , then it could be deduced that there is a significant effect among certain variables. Conversely, when the path coefficient has p-value > 0.05 , it could be deduced that there is an impact but not significant between these variables.

RESULTS AND DISCUSSION

The sample selection results are based on purposive sampling method. A total sample of 106 manufacturing firms listed on IDX is obtained in 2010-2016. Descriptive statistical analysis presents a description of data that is seen from the maximum, minimum, mean, deviation of standard on each research variable. The results of analysis of descriptive statistical using Microsoft Excel from the variables of this study are as follows. The average of WCT value of the company is 15.132. This value shows that in one year, the average of WCT is 15.132 times. RCT has an average value of 13.216. This value shows that in one year, the average of RCT is 13.216 times. INT has an average of value of 1.029. This value shows that in one year, the average of INT is 1.029 times. Average value of TAT is 1.261. This value shows that in one year, the average of TAT is 1.261 times. The average value of CCC is 2.059. This value shows that in one year, the average of CCC is 2.059 days. The average value of stock returns is 163.099. This value shows that in one year, the average

of stock return is 163.099. The average value of firm value is 69.837. This value shows that in one year, the average of firm value is 69.837. The average value of ROA is 6.071. This value shows that in one year, the average ROA is 6.071 times. The average value of ROE is 9.253. This value shows that in one year, the average of ROE is 9.253 times. The average value of EPS is 96.772. This value shows that in one year, the average of EPS is Rp96.772 per share.

Data Testing Analysis Outer Model Assessment. The outer model determines the specification of the relationship between the construct and its indicators. The variables taken in this study are WCT, RCT, TAT, CCC, financial performance (FP), stock returns (SR), and firm value (FV). Seven variables: WCT, RCT, TAT, CCC, SR, and FV) are measurable variables. The variable financial performance is a latent variable. Variabel laten merupakan variabel yang tidak dapat diukur secara langsung kecuali diukur dengan satu atau lebih variabel manifes (Singgih, 2011). Performance of financial is represented by ROA, ROE, and EPS. These are the steps in the assessment of the outer model, namely: 1) convergent validy and 2) composite reliability.

With reflective indicators, convergent validity of the measurement model is evaluated built on the correlation between indicator scores and the latent variable score (loading factor) analyzed by WarpPLS 5.0. Individual reflective size is stated to be high when it correlates more than 0.7 with the latent variable to be measured. But according to Chin (1998) the initial phase of the development of the measurement scale of the value of loading factor 0.5 to 0.6 is considered good. The proceeds of loading factors of financial performance variables show that the three indicators on the variable financial performance meet convergent validity because it has a loading factor value above 0.5. The results of loading factors of financial performance variables are shown in Table 2. In addition, in this study, measuring convergent validity can also be done by looking at the results of WarpPLS 5.0 analysis in the Average Varance Extracted (AVE) section. This AVE measurement describes the variance or diversity of manifest variables that can be contained by latent variables. The assessment criteria are the value of AVE > 0.5 (Hair, et. al, 2011). In this study, the AVE value for the financial performance variable produced is 0.600. This indicates that the resulting AVE value is more than 0.5. Therefore, this result shows good convergent validity.

Table 2. Loading Factor Financial Performance Variables

Indicator	Loading Factor	p-value	Explanation
ROA	0.698*	<0.0010**	Valid
ROE	0.867*	<0.0010**	Valid
EPS	0.749*	<0.0010**	Valid

Explanation: *) loading factor > 0,5 so it is valid. **) p-value for financial performance $\leq 5\%$

Source: Output WarpPLS 5.0

The reliability test of latent variables can be measured by composite reliability. Composite reliability shows consistency intervals, namely the value of high reliability composite. The value of high composite reliability explains the value of consistency on each indicator in measuring its construct. Expected value > 0.7. In this study, composite reliability value is 0.817. Thus the existing indicators on latent variables have good consistency values in measuring the construct.

In inner models, calculation of the goodness of fit value in the PLS analysis using the Q-Square value predictive relevance is calculated using the R-Square (R^2) value of each endogenous variable. The results contain variables of financial performance with an R_1^2 value of 0.13, a stock

return variable with a R_2^2 value of 0.63 and a company value variable with a R_3^2 value of 0.00. Inner model results can be seen on Table 3. Thus the value of Q-Square (Q^2) predictive relevance shows as follows:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)(1 - R_3^2) = 1 - (1 - 0.130)(1 - 0.630)(1 - 0.001) = 0.678.$$

Table 3. Inner Model Results

Variable	R-Square
Working Capital Turnover (WCT)	-
Receivable Turnover (RCT)	-
Inventory Turnover (INT)	-
Total Asset Turnover (TAT)	-
Cycle of Cash Conversion (CCC)	-
Financial Performance (FP)	0.130
Stock Return (SR)	0.630
Firm Value (FV)	0.001

Source: Output of input processed with WarpPLS 5.0

Based on these calculations, it obtained the value of Q-Square predictive relevance of 0.678. This shows that working capital turnover variables, receivable turnover, inventory turnover, total asset turnover, and cycle of cash conversion are able to explain the variables of financial performance, stock returns and book value of 67.8% and then the remaining 32.2% are clarified by other variables outside this study.

The model of fit indices is a highly necessary measure in data processing with WarpPLS. The fit indices state the suitability of the model with the data and show the model quality under study. Average R-Squared (ARS) is taken to evaluate the magnitude of exogenous and endogenous variables. ARS is stated to be good when the ARS value is <0.05 . Average Path Coefficient (APC) is taken to show the magnitude of the relationship or attachment between variables. APC is said to be good if the APC value is <0.05 . Average Variance Inflation Factor (AVIF) is taken to know the correlation magnitude among endogenous or multicollinearity variables. AVIF is said to be good if the AVIF value is ≤ 5 . In addition, the model of this study shows the absence of multicollinearity. Thus, because the model fit indicators in this study meet the criteria for the goodness of fit model, this research model can be used to test hypotheses. Results of goodness of model can be seen on Table 4.

Table 4. Goodness of Fit Model

Results	p-Value	Criteria	Explanation
APC = 0.216	$p < 0.001$	Good If $P < 0.05$	Supported
ARS = 0.255	$p < 0.001$	Good If $P < 0.05$	Supported
AVIF = 1.006		$P \leq 5$	Supported

Source: Output of input processed with WarpPLS 5.0

Testing this hypothesis can be seen by looking at the beta coefficient (β) between variables and their probability level (p). Besides that, the arrow direction sign shows the influence between hypothesis variables. In this study, the significance level is 5%. The proceeds of hypothesis testing are shown in Table 5. In the table, we can see that all the hypotheses proposed in this study are significantly supported.

Table 5. The Results of Testing Hypotheses

Hypothesis	Prediction	Variable	Koef.	p-Value	Significance	Result
H1a	+	WCT -> FP	0.08	0.01	Significant	Supported
H1b	+	RCT -> KKU	0.10	< 0.01	Significant	Supported
H1c	+	INT -> FP	0.06	0.05	Significant	Supported
H1d	+	TAT -> FP	0.33	< 0.01	Significant	Supported
H1e	-	CCC -> FP	-0.08	0.02	Significant	Supported
H2a	+	FP -> SR	0.80	<0.01	Significant	Supported
H2b	+	FP -> FV	0.06	0.04	Significant	Supported

Source: Output of input processed with WarpPLS 5.0

Discussion of Test Results. The results of H1a hypothesis testing indicate that working capital turnover positive impact on performance of financial. Table 5 shows the p-value <0.01. This p-value is smaller than the specified degree of significance ≤ 0.05 and the value of path coefficient is 0.08. The hypothesis is supported if the coefficient of working capital turnover is positive and significantly smaller or equal to 5% of financial performance. Therefore, based on this, it can be concluded that the hypothesis is supported. The proceeds of testing this hypothesis shows that the higher WCT, the higher the sales of the firm. Thus, the company is more efficient in using the working capital. When a company maximizes the use of working capital and manages it well, for example in the form of increasing production capacity and increasing sales, of course, the company will get increasingly bigger profits. In the end, the financial performance can increase.

The results of H1b testing indicate that receivable turnover positive impact on financial performance. Table 5 shows the p-value <0.01. This p-value is less than the specified degree of significance ≤ 0.05 and the value of the path coefficient value is 0.10. The hypothesis is supported if the receivable turnover coefficient is positive and significantly smaller or equal to 5% of financial performance. Based on this, it can be concluded that the hypothesis is supported. The proceeds of testing the second hypothesis indicate that the higher receivable turnover indicates that the accounts receivable policy made can increase sales. Increasing sales have caused corporate profits to increase. In the end, increased company profits can indicate the financial performance also increases.

The proceeds of H1c testing indicates that inventory turnover has a positive impact on performance of financial. Table 5 shows the p-value <0.05. This p-value is equal to the degree of significance set ≤ 0.05 and the value of the path coefficient is 0.06. Based on this, it can be concluded that the hypothesis is supported. The results of testing the third hypothesis show that companies with high inventory turnover can explain the company is able to manage the existing inventory well. High inventory turnover indicates that the company has high sales and profits. Increased sales and profits indicate the company's performance also increases.

The H1d test result shows that total asset turnover positive impact on financial performance. Table 5 shows the p-value <0.01. This p-value is less than the specified degree of significance ≤ 0.05 and the value of the path coefficient is 0.33. Based on this, it can be concluded that H1d is accepted. The hypothesis test results state that the higher total asset turnover, the assets managed by the firm are more efficient. With higher total asset turnover, it indicates that the firm is able to manage these assets. This ability is evidenced by increasing sales and profits. Increasing sales and profits support the company's performance can increase.

The result of testing H1e indicates that the cycle of cash conversion has a negative impact on the performance of financial. Table 3 shows the p-value <0.02. This p-value is less than the specified degree of significance (≤ 0.05) and then the value of the path coefficient is -0.08. The hypothesis is supported if the cash conversion cycle coefficient is negative and is significantly

smaller or equal to 5% of financial performance. Based on this, it can be deduced that the hypothesis is accepted. Based on the hypothesis shows that a short cash conversion cycle will cause cash turnover to be high. So that with high cash turnover it will not reduce the availability of cash to fund daily operational activities. Therefore, the company's financial performance can increase. In addition, high cash turnover shows that the company is able to manage three time periods in the cycle of cash conversion, namely period of inventory conversion, average collection period, payables deferral period. High cash turnover can speed up sales of available goods, speed up the collection of receivables and slow down the deferred debt. H1.a, H1.b, H1.c, H1.d, and H1.e are supported in accordance with what are stated by Riyanto (2008), Sofyan (2011), Syamsudin (2009), and Raheman & Naasr (2007) that the efficient use of assets has an influence on financial performance. The findings of the first hypothesis testing are in line with agency theory that managers who act as agents of shareholders perform asset efficiency and their efficiency results have a good effect on the achievement of the company's financial performance.

The results of H2a testing state that financial performance has a positive impact on stock returns. Table 5 explains that the p -value in H2a is <0.01 . This p -value is smaller than the significance degree of 5%, the path coefficient is 0.80. Based on this, it can be concluded that the H2a hypothesis is supported. The result of H2.a test indicates that financial performance has a positive impact on stock returns. Based on this, it can be deduced that the hypothesis is supported. These findings indicate that the higher firm's financial performance will increase the firm's stock price. High prices will result in higher stock returns owned by investors. This is because the management of the company in this case is able to manage capital, assets and the number of outstanding company shares to illustrate good financial performance. With good financial performance shows that the firm is able to provide a high level of return to investors. Theoretically, this finding is in accordance with stakeholder theory and firm value theory because management performs the company's operational activities to create value so that in the end it can minimize the losses that may occur to stakeholders.

The results of testing H2.b explain that financial performance positive impact on firm value. Table 5 shows the p -value <0.04 . This p -value is smaller than the significance degree of 5% and then the path coefficient value is 0.06. Based on this, it can be deduced that the H2.b hypothesis is supported. Based on H2.b shows that the higher the financial performance produced, the better the assessment of investors (stakeholders) of the firm. H2.a and H2.b are supported, in accordance with the findings of Pasaribu (2008), Rochmah and Fitria (2017), and Widhiastuti and Latrini (2015) that financial performance can affect the price or level of return on stocks. This finding is in line with the company's value theory, that financial performance can increase firm value, which is reflected in stock prices and the rate of return on shares. Because financial performance influences company value, this study also is in line with Santoso & Ikhsan (2020) findings that the Indonesian capital market is efficient.

Information on profits generated by companies can affect prices of common stock. Prices of common stock can describe the value of the firm, if the the shares value is high, then it can be said that the value of the company is also good. In line with stakeholder theory which shows that organizational management is expected to be able to carry out the company's operational activities that will have an impact on the creation of company value. With the findings of an efficient Indonesian capital market (Santoso & Ikhsan, 2020), a high value or price on a common stock reflects good information for all stakeholders. Therefore, the implications of these findings are as follows. The first, firm managers can consider influence the efficiency of the use of assets on the performance of financial and the influence of firm performance on the welfare of shareholders in manufacturing industry. The Second, investors also can consider the results of the company's

fundamental analysis to be considered in conducting stock trading transactions. The fundamental analysis is the efficiency of asset use, financial performance, and company value. Then, in the manufacturing industry, the theories used in the development of hitotesis in this research are theory of stakeholder, agency, and firm value supported and considered by managers in the process of decision making in the field of corporate financial management. For all stakeholders, the fundamental analyst is very important for an efficient Indonesian capital market.

CONCLUSION

This study uses sample of manufacturing firms on IDX. The aim of this study is to examine whether: 1) the efficiency of using asset has a positive impact on financial performance and 2) financial performance has a positive impact on the welfare of shareholders. The analytical method of this study is Structural Equation Model – Partial Least Square (PLS-SEM) using WarpPLS 5.0. The asset efficiency variable is measured by activity ratios and the shareholder wealth variable is measured by stock return and firm value. The analytical techniques that used in this study are outer model and inner model analysis. The variables of asset efficiency and shareholder wealth are measured variables and the financial performance variable is latent variable. The analysis results using WarpPLS 5.0 show that the H1 hypothesis starts from H1a until H1e is supported. Working capital turnover, receivable turnover, inventory turnover, total asset turnover have a positive impact on performance of financial. Companies with a high level of total asset turnover are able to increase sales volumes which ultimately have an impact on performance of financial. Cycle of cash conversion has a negative impact on financial performance. Therefore, the efficiency of using assets affects financial performance.

The results state that H2a and H2b are also supported, financial performance has a positive impact on stock returns. Financial performance has a positive and significant impact on the market value of the company. Therefore, financial performance has a positive impact on the wealth of shareholders. These findings are in line with findings that the capital market in Indonesia is efficient. Expressed in line because, high stock market prices reflect good information available, one of which is good information about the company's financial performance. The conclusion of this study explain that the efficient of using assets has a positive impact on the firm's financial performance, so the company should increase the efficiency of using assets through the efficient of using cash, accounts receivable, inventory, and total assets. The results also show that the performance of financial also has a positive impact on the rate of returns on common stock and the firm value of the company, so financial performance needs to be continuously improved so that the objectives of the wealth of shareholders can be achieved. The main limitation in this study is that financial performance uses indicators of ROA, ROE and EPS, while some literature shows there are still many other indicators to measure financial performance. Based on the findings obtained in this study, there are several suggestions that need to be improved for future researchers. First, the next researcher is expected to conduct research using a sample of firms in the Oil and Gas Industry, because there are still few researchers with the topic of the cash conversion cycle that uses samples in the Industry. Second, the next researcher is expected to add other variables other than in this study which can affect the company's financial performance and other variables which can also influence the company's value and stock return.

The implications considered relevant in this study are the following. First, companies must be able to increase investment capital investment in company operations that can encourage good financial performance. Second, the firms must be able to manage the receivables given to customers so that the risk of uncollectible receivables is less likely. Third, the firms must be able to manage

the existing inventory by ordering according to the quantity and right, paying attention to market demand so there is no excessive inventory so that it can minimize the costs incurred by the company. Fourth, firms must be able to manage company assets by utilizing all existing company assets effectively in carrying out the company's operational activities to obtain optimal financial performance. Fifth, firms must be able to manage the cash conversion cycle to get optimal performance by reducing inventory conversion periods by processing and selling goods faster, reducing the period of receipt of receivables by accelerating collection, extending the period of debt deferral. Sixth, or finally, the creation of financial performance by managing all optimal resources will certainly have an impact on the increase in corporate value and prosperity obtained by investors on their investments in equity common stock.

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