

# Strategies for Sourcing and Utilizing Working Capital to Improve Liquidity: A Case Study of PT Unilever Indonesia Tbk

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## ABSTRACT

**Purpose:** This study analyzes changes in net working capital, activities affecting cash flow, and the liquidity position of PT Unilever Indonesia Tbk for 2024–2025.

**Research Method:** This study employs a quantitative descriptive approach using case studies and comparative analysis of audited financial statements. The analysis covers net working capital, the current ratio, the quick ratio, the cash ratio, and cash flows from operating, investing, and financing activities.

**Results and Discussion:** The net working capital deficit narrowed from Rp6.55 trillion to Rp3.68 trillion. The current ratio increased from 0.45 to 0.74; the quick ratio from 0.23 to 0.57; and the cash ratio from 0.06 to 0.40. The increase in cash was primarily related to operating cash flow and discontinued operations, rather than merely a decrease in accounts receivable and inventory. However, all ratios remained below 1.00, and tax liabilities increased materially.

**Implications:** The company needs to integrate cash flow projections with the monitoring of liability maturities.

**Originality:** This study integrates changes in working capital, liquidity ratios, cash flow, and liability composition in a two-period comparison.

**Keywords:** net working capital; liquidity; cash flow; current liabilities; Unilever Indonesia.

## 1. Introduction

The dynamic evolution of the business world requires every corporation to manage its internal financial systems effectively to ensure business continuity. Working capital is the primary driver of a company's daily operational activities (Yulianti, 2025). Careful management of working capital ensures the availability of funds to finance routine needs, ranging from the procurement of raw materials to the distribution of products to consumers. Failure to manage this component consistently is often the primary trigger for operational disruptions and an increased risk of financial difficulties for a business entity (Dessy *et al.*, 2024).

Working capital management is closely linked to a company's liquidity level. Liquidity reflects a company's financial capability to settle all its short-term obligations on time (Latifah *et al.*, 2023). An ideal balance between sources of cash inflows and the allocation of working capital is essential to maintaining this liquidity stability. Companies that maintain a healthy level of liquidity will have a strong bargaining position in the eyes of creditors, investors, and other strategic business partners (Ilham *et*

*al.*, 2025). However, assessing liquidity cannot be based solely on changes in cash balances or a single financial ratio. Such an assessment must also consider the composition of current assets, the amount of current liabilities, and changes in net working capital.

As one of the most competitive industrial sectors, the consumer goods industry—or Fast-Moving Consumer Goods (FMCG)—demands extremely rapid asset turnover. PT Unilever Indonesia Tbk, as one of the leading companies in Indonesia's FMCG industry, faces the challenges of fluctuating raw material prices and intense market competition (Wirabuana & Prasetya, 2024). These market dynamics require companies to have responsive supply chain management and working capital policies to ensure the smooth operation of business activities and the fulfillment of short-term obligations. An evaluation of cash flow patterns at a company the size of Unilever is a relevant subject of study for understanding short-term financial management in the FMCG industry (Buwono *et al.*, 2024).

A common dilemma faced by large corporations is the trade-off between pursuing profitability and maintaining liquidity. Allocating working capital too aggressively to inventory or accounts receivable risks sacrificing the availability of immediate cash to pay maturing short-term debt (Arifin, 2018). Conversely, holding excessive amounts of cash without productive turnover reduces business efficiency. Therefore, an analysis of the composition and changes in working capital components, as well as operating, investing, and financing transactions that affect cash, is necessary to assess a company's liquidity position more accurately (Vyanis *et al.*, 2023). In this context, cash is treated as a component of current assets, not as a source of working capital. The sources of cash changes must be traced through the cash flow statement, while the working capital position is assessed through the relationship between current assets and current liabilities.

Previous research indicates that the working capital and liquidity conditions of PT Unilever Indonesia Tbk have been analyzed using different time periods and indicators. Maulina (2021), based on data from 2015–2019, found that PT Unilever Indonesia Tbk's working capital requirements increased annually and exceeded available current assets. This situation was linked to liquidity difficulties and the need for credit financing to support operational activities. Nevertheless, the study also showed that actual working capital was not significantly lower than optimal working capital, suggesting that its management was relatively close to optimal requirements. These findings indicate that a working capital deficit cannot be interpreted based on a single measure alone but must be considered in conjunction with the composition of the company's current assets and current liabilities.

Rahman & Muniarty (2021), using the 2010–2019 observation period, found that liquidity ratios significantly influence the working capital needs of PT Unilever Indonesia Tbk. Furthermore, Nurlaeni (2022) demonstrated that the current ratio and quick ratio significantly influence the company's financial performance during 2012–2021. In general, both studies underscore the importance of the relationship between liquidity, working capital needs, and financial performance. However, their focus remains on testing the relationships between variables or evaluating ratios, rather than on reconciling changes in each working capital component with cash-generating and cash-consuming activities. Studies by Buwono *et al.*, (2024) and Wirabuana & Prasetya (2024) have examined the business and operational management of PT Unilever Indonesia Tbk. Although these studies provide an overview of the company's condition, their results do not fully explain recent changes in current assets, current liabilities, net working capital, and the company's cash flows. Previous research has also failed to integrate changes in working capital balances with cash flows from operating, investing, and financing activities. Such integration is necessary to ensure that increases in cash are not mistakenly treated as a source of working capital and that changes in accounts receivable, inventory, accounts payable, and tax liabilities

are not automatically interpreted as evidence of inventory turnover efficiency or the company's bargaining power.

This gap is significant because year-end balances merely reflect the financial position as of the reporting date. A decrease in accounts receivable and inventory does not in itself prove accelerated conversion to cash. In contrast, an increase in accounts payable does not automatically indicate the company's strong bargaining power with suppliers. Verification of these conditions requires data on sales, cost of goods sold, purchases, average balances, payment terms, and contractual provisions. Since this study uses two year-end observations—2024 and 2025—the analysis is limited to comparing the positions and changes in financial components, rather than establishing long-term trends, structural changes in working capital policy, or management effectiveness. Based on this gap, the research questions are: (1) how did the composition of current assets, current liabilities, and net working capital at PT Unilever Indonesia Tbk change between 2024 and 2025; (2) What operating, investing, or financing activities are associated with changes in cash during that period; and (3) What is the company's liquidity position based on its current ratio and the composition of its current liabilities? Based on the above discussion, this study aims to analyze changes in the composition of net working capital, identify activities related to changes in cash, and evaluate the liquidity position of PT Unilever Indonesia Tbk by comparing the audited financial statements for 2024 and 2025.

The novelty of this study lies in integrating a comparative analysis of net working capital components with cash flow information from operating, investing, and financing activities. This study also pays special attention to material changes in current liabilities, including tax liabilities, so that liquidity conditions are not merely inferred from an increase in cash. Theoretically, the results of this study are expected to contribute to the development of financial management, particularly regarding working capital management in the FMCG industry. Practically, this analysis can serve as a reference and evaluation tool for company management, investors, and academics in interpreting short-term financial policies more substantively. However, the research results should be understood as a comparison of two reporting periods and not as evidence of long-term trends or cause-and-effect relationships.

The remainder of this paper is organized as follows. Section 2 provides a literature review and hypothesis development. Section 3 presents the research method and design. Section 4 provides the results and discussion. Section 5 presents concluding remarks and Recommendations.

## 2. Literature Review and Hypothesis Development

### 2.1 Working Capital

Working capital is a short-term financial resource that companies use to ensure the smooth operation of their business activities, ranging from procuring raw materials and storing inventory to extending credit to customers and paying obligations to suppliers. Gross working capital refers to total current assets, while net working capital is the difference between current assets and current liabilities. Positive net working capital indicates that current assets exceed current liabilities, while negative net working capital indicates the opposite condition. However, a negative value cannot be directly interpreted as financial difficulty or as an inefficient strategy without considering industry characteristics, the maturity structure of liabilities, and the company's ability to generate operating cash flow. Working capital management aims to achieve a balance between sufficient liquidity and the productive use of current assets. Aldubhani *et al.*, (2022) demonstrate that the management of accounts receivable collection

periods, inventory holding periods, accounts payable payment cycles, and the cash conversion cycle is related to a company's profitability. In the context of food and beverage companies in Indonesia, Arifani (2023) demonstrates that cash turnover, accounts receivable, inventory, and current liabilities have different directions of relationship with profitability. However, the influence of each of these elements is not significant. These findings confirm that working capital conditions need to be evaluated based on each component and cannot be adequately assessed solely through the aggregate value of net working capital. These policies are not determined solely by internal decisions but are also influenced by the institutional environment and economic conditions in which the company operates (Anton & Nucu, 2022).

The main components of working capital include cash and cash equivalents, accounts receivable, inventory, and current liabilities related to operating activities. Each component carries different benefits and risks. Cash supports the payment of short-term liabilities, but an excessive balance can result in opportunity costs. Accounts receivable can encourage credit sales but tie up funds until customers make payments. Inventory is necessary to maintain the continuity of production and sales, but excessive amounts increase storage costs and the risk of obsolescence. Meanwhile, accounts payable provide short-term operational financing but must be managed in accordance with the company's ability to pay and suppliers' credit terms. The efficiency of managing these components is generally analyzed through the cash conversion cycle (CCC), which includes days inventory outstanding, days sales outstanding, and days payable outstanding. Kiyamaz *et al.*, (2024) found that the CCC is negatively correlated with firm performance, although the impact of each component differs between developed and developing countries. Findings from companies in BRICS countries also indicate that a longer CCC is associated with lower performance (Johan *et al.*, 2024). Furthermore, an increase in the CCC can constrain operating cash flow and long-term investment while increasing a company's financial risk (Figlioli *et al.*, 2024).

Nevertheless, working capital efficiency cannot be concluded solely from increases or decreases in year-end balances. A decrease in accounts receivable and inventory does not necessarily indicate accelerated conversion to cash. In contrast, an increase in accounts payable does not automatically reflect a company's strong bargaining position with suppliers. Such an assessment requires data on sales, cost of goods sold, purchases, average balances, payment terms, and contractual requirements. Working capital management is also dynamic because operational needs can change due to economic uncertainty and shifts in the business environment. Tarkom (2022) found that exposure to the pandemic was associated with an increase in CCC, while investment opportunities and government incentives also influenced companies' working capital responses. In the consumer goods industry, dynamic management of funds tied up in accounts receivable, inventory, and trade payables can help reduce operating costs and increase operating profit (Yeboah & Kjærland, 2024). A company's innovation capacity can also influence the relationship between working capital management and profitability (Zhou *et al.*, 2025). Therefore, there is no universal "optimal" level of working capital; rather, it depends on the business model, industry characteristics, access to financing, and economic conditions. In this study, working capital is analyzed through changes in current assets, current liabilities, and net working capital, while changes in cash are traced through operating, investing, and financing activities.

## 2.2 Liquidity

Liquidity is a company's ability to provide financial resources that can be used immediately to meet short-term obligations as they become due. In financial statement analysis, liquidity is generally measured using the current ratio, quick ratio, and cash ratio. The current ratio compares current assets to current liabilities, while the quick ratio excludes inventory because it requires a sales process before it can be converted into cash. Meanwhile, the cash ratio measures the ability of cash and cash equivalents to cover current liabilities directly. Although useful, each ratio only reflects the financial position as of the reporting date and therefore does not illustrate the timing of cash receipts and disbursements throughout the period. A current ratio below 1.00 indicates that, in nominal terms, current assets do not fully cover current liabilities; however, this condition cannot be immediately interpreted as a liquidity crisis without considering the quality of current assets, operating cash flow, access to financing, and the maturity schedule of liabilities. Chang *et al.*, (2022) demonstrate that economic shocks can reduce a company's revenue and cash flows while increasing the risk of liquidity shortages. Therefore, liquidity assessments must integrate financial ratios with a company's ability to maintain cash flows and secure financing when facing economic pressures. In line with this view, Muchsidin *et al.*, (2025) emphasize that effective liquidity management supports the fulfillment of short-term obligations and operational flexibility; however, its contribution to financial stability must be assessed in conjunction with the company's capital structure and risk management.

Liquidity is closely related to cash holding policies, but the size of cash balances does not always reflect more efficient financial management. Companies hold cash to meet transactional needs, provide a buffer against uncertainty, and finance investment opportunities. Conversely, excessive cash holdings can result in opportunity costs because funds are not being used in productive activities. Aksoy-Hazır & Tan (2023) found that geopolitical risks prompt companies to increase their cash holdings as a precautionary measure. Das *et al.*, (2024) also demonstrated that economic policy uncertainty and inflation risks influence corporate cash policies, although the direction and magnitude of these effects may vary depending on industry characteristics. In addition to cash, assets that can be easily transferred or resold can provide alternative sources of liquidity when access to financing is limited (Fairhurst & Zahid, 2025). Fan *et al.*, (2024) found that financing constraints weaken a firm's liquidity, whereas advancements in financial technology can mitigate the negative impact of these constraints by improving access to financial resources. Thus, an adequate level of liquidity is not universal but is influenced by operational needs, environmental risks, asset flexibility, investment opportunities, and a company's access to external financing.

A comprehensive liquidity assessment must incorporate information on financial position, operating cash flows, current liability structure, and projected cash requirements. Singh *et al.*, (2024) emphasize the importance of liquidity forecasting at the corporate and business unit levels so that cash shortages or surpluses can be identified early. Brianti (2025) shows that financial shocks and uncertainty elicit different responses: reduced access to financing may prompt companies to use liquid assets, while increased uncertainty may encourage the creation of liquidity reserves. Furthermore, stock liquidity must be distinguished from operational liquidity. Stock liquidity indicates the ease with which shares are traded in the capital market, whereas operational liquidity reflects a company's ability to meet its short-term obligations. Although these are distinct concepts, Im *et al.*, (2022) note that an increase in stock liquidity can influence cash holdings by expanding investment opportunities. Therefore, this study evaluates the liquidity of PT Unilever Indonesia Tbk through liquidity ratios, the composition of current



assets and liabilities, operating cash flow, and changes in material liabilities, including tax liabilities. An increase in cash or an improvement in the current ratio should not be automatically interpreted as evidence of financial security without being supported by historical comparisons, industry benchmarks, and information on the maturity of liabilities.

### 2.3 Cash Conversion Cycle (CCC)

The Cash Conversion Cycle (CCC) is a dynamic metric that indicates the number of days from when a company spends cash to acquire inventory until it receives cash from sales, after accounting for the time taken to pay suppliers. The CCC consists of days inventory outstanding (DIO), days sales outstanding (DSO), and days payable outstanding (DPO), which are calculated as follows. DIO measures the average time inventory is held before being sold; DSO indicates the average time it takes to collect accounts receivable; and DPO measures the average time it takes to pay accounts payable. The calculations use average opening and closing balances for the period, specifically: average inventory divided by cost of goods sold multiplied by 365; average accounts receivable divided by net credit sales multiplied by 365; and average accounts payable divided by credit purchases multiplied by 365. If credit purchases are not available, cost of goods sold may be used as a proxy, accompanied by a disclosure of the limitation. Chen *et al.*, (2022) emphasize that the CCC is an important measure for evaluating the effectiveness of working capital management. However, its value may vary across countries due to the influence of institutional, financial, and operational characteristics.

A shorter CCC generally indicates that funds tied up in inventory and accounts receivable are converted back into cash in a shorter period. However, shortening the CCC does not always reflect an optimal policy. An excessively short inventory period can increase the risk of stockouts; overly strict accounts receivable collection policies can hinder credit sales; and excessive payment delays can damage relationships with suppliers. Hassan *et al.*, (2023) demonstrate that working capital management can support a company's performance if it balances the efficiency of current assets with operational needs. In halal food and beverage companies, Umar & Al-Faryan (2023) found that a longer CCC, accounts receivable collection period, and inventory conversion period are associated with lower profitability. In contrast, a longer accounts payable payment period is associated with higher profitability. Nevertheless, these relationships do not justify indefinite payment delays, as credit policies remain influenced by contracts, reputation, and the sustainability of supplier relationships. Yilmaz & Nobanee (2022) also demonstrate that CCC is influenced by firm-specific, industry-specific, and country-specific factors; thus, there is no single optimal CCC level applicable to all companies.

Interpretation of the CCC must be based on calculations of each component and cannot be replaced by a comparison of year-end balances. A decrease in accounts receivable or inventory does not necessarily prove that DSO or DIO has improved, as these changes may be influenced by sales, cost of goods sold, a decline in operating activity, or the write-off of accounts receivable. Similarly, an increase in accounts payable does not automatically indicate a longer DPO or a stronger bargaining position for the company without data on purchases, payment periods, and contractual terms. Huynh (2024) found that uncertainty in the banking sector can affect the CCC through different changes in accounts receivable, inventory, and accounts payable periods. Furthermore, the quality of accounting information must be considered, as earnings management practices can affect the measurement of working capital efficiency (Sawarni *et al.*, 2023). Therefore, an analysis of PT Unilever Indonesia Tbk's CCC requires data on credit sales, cost of goods sold, credit purchases, as well as the opening and

closing balances of accounts receivable, inventory, and accounts payable. Without this complete set of data, the study can only explain changes in balances and cannot conclude that the company receives cash before its obligations to suppliers become due.

### 3. Research Method

This study employs a quantitative descriptive method using a case study approach and comparative analysis of financial statements. This approach was chosen because the study uses numerical data to identify changes in working capital components, calculate liquidity ratios, and track changes in cash at PT Unilever Indonesia Tbk. This study is not classified as a mixed methods study because it does not use independent qualitative data, interviews, coding procedures, triangulation, or systematic content analysis. The narrative explanation of the calculation results is presented as an interpretation of the financial analysis, not as a qualitative method. The data used consists of secondary data in the form of audited annual balance sheets, income statements, and cash flow statements. The research subject is PT Unilever Indonesia Tbk, while the unit of analysis is the company's financial position and activities for the 2024 and 2025 reporting years. All audited financial statements for these two periods were used; therefore, the study did not employ any sampling techniques.

The 2024–2025 period was selected to provide a current comparison of the company's working capital position and liquidity. However, two year-end observations are insufficient to establish long-term trends, assess management effectiveness, demonstrate financial stability, or identify structural changes in working capital policy. Therefore, the study's findings are limited to comparing changes between periods and are not used to draw causal conclusions or generalizations regarding the FMCG industry. Data collection was conducted through documentary research and a literature review. The documentary study was conducted by downloading and reviewing the audited consolidated financial statements of PT Unilever Indonesia Tbk for the fiscal years ending December 31, 2024, and December 31, 2025. The recorded data included cash and cash equivalents, accounts receivable, inventory, current assets, accounts payable, tax liabilities, current liabilities, and cash flows from operating, investing, and financing activities. All monetary values are presented in millions of rupiah in accordance with the financial statement units. At the same time, the literature review was used to support the definition, measurement, and interpretation of the results.

The analysis procedure was conducted in five stages. First, the financial data was verified by matching account names, reporting periods, monetary units, comparative figures, and the totals for each account group with the audited financial statements. Second, the absolute and percentage changes in each component of current assets and current liabilities were calculated to compare the 2024 and 2025 positions. Third, net working capital is calculated as the difference between current assets and current liabilities, while liquidity is measured using the current ratio, quick ratio, and cash ratio. Fourth, changes in cash are traced through net cash flows from operating, investing, and financing activities. Thus, cash is treated as a component of current assets, not as a source of working capital. Fifth, changes in tax liabilities are analyzed based on nominal changes, percentage changes, and their contribution to total current liabilities.

The results of the calculations are presented in a comparative table and interpreted descriptively. A decrease in accounts receivable or inventory balances is not interpreted as evidence of improved turnover efficiency. In contrast, an increase in accounts payable is not considered evidence of

bargaining power over suppliers without data on purchase volume, payment terms, and contractual provisions. A current ratio below 1.00 is interpreted as a condition where current assets do not fully cover current liabilities as of the reporting date, not as evidence that the company is highly liquid or financially secure. Since data on credit sales, credit purchases, adequate average balances, and contractual payment terms are not yet available, DIO, DSO, DPO, and CCC are not calculated. Thus, the study does not conclude that the company receives cash before its obligations to suppliers become due.

**Table 1.** Variables and Measurements

| Variable                              | Code | Indicators and measurements                                    | Interpretation                                                                   |
|---------------------------------------|------|----------------------------------------------------------------|----------------------------------------------------------------------------------|
| Net working capital                   | NWC  | Current assets – current liabilities                           | Shows the excess or shortfall of current assets over current liabilities         |
| Current Ratio                         | CR   | Current assets ÷ current liabilities                           | The ability of current assets to cover current liabilities                       |
| Quick Ratio                           | QR   | (Current assets – inventory) ÷ current liabilities             | The ability to liquidate current assets more quickly covers current liabilities. |
| Cash Ratio                            | CAR  | Cash and cash equivalents ÷ current liabilities                | Cash and cash equivalents are sufficient to cover current liabilities.           |
| Changes in Working Capital Components | ΔWC  | Value for 2025 – value for 2024                                | Shows the nominal change for each component                                      |
| Relative change                       | %Δ   | (2025 value – 2024 value) ÷ 2024 value × 100%                  | Shows the magnitude of the change between periods                                |
| Tax Debt Contribution                 | TAX  | Tax liability ÷ current liabilities × 100%                     | Shows the proportion of tax liabilities to current liabilities                   |
| Changes in Cash by Activity           | CF   | Cash flows from operating, investing, and financing activities | Identifying activities that increase or decrease cash                            |

**Note:** All monetary amounts are expressed in millions of rupiah. Data source: PT Unilever Indonesia Tbk's audited consolidated financial statements for 2024 and 2025.

## 4. Results and Discussion

### 4.1 Analysis Results

#### 4.1.1 Changes in Net Working Capital Components

The research results present a comparison of PT Unilever Indonesia Tbk's financial position as of December 31, 2024, and December 31, 2025. Since they cover only two reporting dates, these results show changes between periods. They are not intended to establish a long-term trend, demonstrate management effectiveness, or identify structural changes in the company's working capital policy.

Table 2 shows that total current assets increased by Rp5,264,075 million, or 99.69%, from Rp5,280,548 million in 2024 to Rp10,544,623 million in 2025. The largest change occurred in cash and cash equivalents, which increased by Rp5,034,494 million. However, the increase in cash is not treated as a source of working capital because cash is a component of current assets. Transactions increasing cash must be traced separately through the cash flow statements for operating, investing, and financing activities.

Accounts receivable decreased by Rp203,259 million, or 10.81%, while current inventory decreased by Rp52,746 million, or 2.10%. These changes in balances merely reflect the positions as of the two reporting dates and do not yet prove that accounts receivable collection or inventory turnover



is occurring more quickly. Demonstrating turnover efficiency requires data on credit sales, cost of goods sold, and average balances of accounts receivable and inventory. Conversely, other receivables increased by Rp195,704 million, or 106.35%. In 2025, there were also assets held for sale totaling Rp276,477 million. The recognition of this account indicates a reclassification of assets into the current assets category, but does not yet prove that the disposal of assets has resulted in cash receipts.

**Table 2.** Changes in Net Working Capital Components of PT Unilever Indonesia Tbk (in millions of rupiah)

| Working capital components                            | December 31, 2025 | December 31, 2024 | Nominal change | Change (%)                        |
|-------------------------------------------------------|-------------------|-------------------|----------------|-----------------------------------|
| Current Assets                                        |                   |                   |                |                                   |
| Cash and Cash Equivalents                             | 5.705.674         | 671.180           | 5.034.494      | 750.09                            |
| Accounts receivable—third parties and related parties | 1.677.683         | 1.880.942         | (203.259)      | (10.81)                           |
| Other receivables—third parties and related parties   | 379.722           | 184.018           | 195.704        | 106.35                            |
| Current assets                                        | 2.453.106         | 2.505.852         | (52.746)       | (2.10)                            |
| Prepaid expenses                                      | 44.461            | 25.798            | 18.663         | 72.34                             |
| Prepaid taxes                                         | 7.500             | 12.758            | (5.258)        | (41.21)                           |
| Assets held for sale                                  | 276.477           | —                 | 276.477        | —                                 |
| Total current assets (A)                              | 10.544.623        | 5.280.548         | 5.264.075      | 99.69                             |
| Current liabilities                                   |                   |                   |                |                                   |
| Short-term bank debt                                  | —                 | 1.450.000         | (1.450.000)    | (100.00)                          |
| Trade payables—third parties and related parties      | 4.695.329         | 3.983.297         | 712.032        | 17.88                             |
| Other payables—third parties and related parties      | 2.684.310         | 2.162.722         | 521.588        | 24.12                             |
| Accrual expenses                                      | 4.103.034         | 3.797.590         | 305.444        | 8.04                              |
| Tax debt                                              | 2.311.738         | 227.440           | 2.084.298      | 916.41                            |
| Short-term employee benefit obligations               | 137.446           | 171.362           | (33.916)       | (19.79)                           |
| Short-term lease obligations                          | 290.762           | 37.790            | 252.972        | 669.42                            |
| Total current liabilities (B)                         | 14.222.619        | 11.830.201        | 2.392.418      | 20.22                             |
| Net working capital (A – B)                           | (3.677.996)       | (6.549.653)       | 2.871.657      | The deficit is narrowing<br>43.84 |

**Source:** Compiled from the audited consolidated financial statements of PT Unilever Indonesia Tbk for the years ended December 31, 2024, and December 31, 2025.

Total current liabilities increased by Rp2,392,418 million, or 20.22%, from Rp11,830,201 million to Rp14,222,619 million. Although short-term bank debt of Rp1,450,000 million in 2024 was no longer recorded at the end of 2025, this decrease was accompanied by increases in several other current liabilities. Trade payables increased by Rp712,032 million, other payables increased by Rp521,588 million, accrued expenses increased by Rp305,444 million, and short-term lease obligations increased by Rp252,972 million. The increase in accounts payable is not interpreted as evidence of an improvement in the company's bargaining position, as no information is available regarding purchase volumes, payment terms, and contractual provisions with suppliers.

The most significant change occurred in tax liabilities, which increased by Rp2,084,298 million, or 916.41%, from Rp227,440 million to Rp2,311,738 million. Tax liabilities accounted for approximately

87.12% of the total increase in current liabilities during that period. Their proportion of total current liabilities also rose from 1.92% in 2024 to 16.25% in 2025. The magnitude of this change indicates that tax liabilities are the primary factor hindering improvements in net working capital and must be considered when assessing short-term payment needs. However, without information on due dates, settlement status, and payment arrangements, this study cannot conclude whether this increase will definitely cause liquidity pressure.

Net working capital remained negative in both periods because total current liabilities exceeded total current assets. The net working capital deficit narrowed by Rp2,871,657 million, or 43.84%, from Rp6,549,653 million in 2024 to Rp3,677,996 million in 2025. This narrowing occurred because the increase in current assets of Rp5,264,075 million was greater than the increase in current liabilities of Rp2,392,418 million. These results indicate an improvement in the comparative position of net working capital, but do not in and of themselves prove the effectiveness of management, financial stability, or the ability to meet short-term obligations.

#### 4.1.2 Liquidity Ratios

Table 2 shows that the current ratio increased from 0.45 times in 2024 to 0.74 times in 2025. A value of 0.74 means that for every Rp1.00 of current liabilities, there were Rp0.74 of current assets as of December 31, 2025. Thus, the company's current assets do not yet fully cover all of its current liabilities. The increase of 0.29 times indicates an improvement in current asset coverage compared to the previous year. However, it is not yet sufficient to conclude that the company is highly liquid or financially secure. This study also does not use the general standard of 1.00–2.00 as a basis for absolute assessment because adequate industry benchmarks, peer company comparisons, or historical analysis are not yet available.

**Table 3.** Liquidity Ratios of PT Unilever Indonesia Tbk

| Liquidity indicators | The year 2025 | The year 2024 | Changes    | Interpretations                                                       |
|----------------------|---------------|---------------|------------|-----------------------------------------------------------------------|
| Current ratio        | 0.74 Times    | 0.45 Times    | 0.29 Times | Increasing, but still below 1.00                                      |
| Quick ratio          | 0.57 Times    | 0.23 Times    | 0.34 Times | Increasing, but quick assets do not yet cover all current liabilities |
| Cash ratio           | 0.40 Times    | 0.06 Times    | 0.34 Times | Increasing, but cash does not yet cover all current liabilities       |

**Source:** Compiled from the audited consolidated financial statements of PT Unilever Indonesia Tbk for the years ended December 31, 2024, and December 31, 2025.

The quick ratio increased from 0.23 times to 0.57 times. This value indicates that after inventory is excluded from current assets, every Rp1.00 of current liabilities is supported by Rp0.57 of current assets that can be liquidated relatively more quickly. This increase is primarily due to a rise in cash and cash equivalents. However, since the quick ratio remains below 1.00, the company's quick assets are not yet sufficient to cover all current liabilities as of the reporting date. This change also does not prove that the company's reliance on inventory sales has structurally decreased, as the analysis compares only two points in time.

The cash ratio increased from 0.06 times in 2024 to 0.40 times in 2025. This means that the cash and cash equivalents available at the end of 2025 were equivalent to approximately 40% of total current

liabilities. Compared to the previous year, the ability of cash to directly cover current liabilities has improved. However, approximately 60% of current liabilities still cannot be covered solely by cash and cash equivalents as of the reporting date. Therefore, the increase in the cash ratio should not be used as a basis for characterizing the company as highly liquid or concluding that the risk of default has substantially decreased without an analysis of operating cash flows, the maturity schedule of liabilities, credit facilities, and other payment commitments.

Overall, all three liquidity ratios increased between 2024 and 2025, but all values remained below 1.00. These results indicate a comparative improvement in the liquidity position, while also confirming that current assets, quick assets, and cash did not fully cover current liabilities at the end of 2025. Conclusions are limited to the positions as of the two reporting dates and do not extend to claims regarding long-term trends, management effectiveness, financial stability, or changes in the company's liquidity policy.

#### **4.1.3 Limitations of the Cash Conversion Cycle Measurement**

DIO, DSO, DPO, and CCC are not presented in the research results because the data required to calculate these indicators have not been consistently used in the analysis. Therefore, the decrease in accounts receivable and inventory is not cited as evidence of accelerated conversion of assets into cash. The study also does not conclude that cash receipts occur before obligations to suppliers become due. Verification of this statement would require calculating the CCC based on average balances, credit sales, cost of goods sold, credit purchases, and supplier payment terms.

## **4.2 Discussion**

A comparison of financial statements shows that PT Unilever Indonesia Tbk's net working capital position improved between 2024 and 2025, but remained negative. The net working capital deficit narrowed from Rp6,549,653 million to Rp3,677,996 million because the increase in current assets of Rp5,264,075 million exceeded the increase in current liabilities of Rp2,392,418 million. These changes reflect an improvement in the position at the two reporting dates, rather than a long-term trend, a structural change in working capital policy, or evidence of management effectiveness. Conceptually, negative net working capital indicates that current liabilities exceed current assets. This condition does not automatically prove financial distress, but it also cannot be directly considered an efficient strategy. The assessment must consider the company's ability to generate operating cash flow, the composition and maturity of liabilities, access to financing, and the characteristics of its operating activities. This aligns with Aldubhani *et al.*, (2022) and Hassan *et al.*, (2023), who characterize working capital management as a balancing act between liquidity needs, the utilization of current assets, and operational performance.

The increase in cash and cash equivalents of Rp5,034,494 million did not stem solely from a decrease in accounts receivable or inventory. The cash flow statement shows that during 2025, the company generated net cash flow from operating activities of Rp5,797,496 million and net cash flow from investing activities of Rp6,149,111 million. Cash flow from investing activities was primarily influenced by cash receipts of Rp7,000,000 million from the sale of discontinued operations, after accounting for the acquisition of fixed assets amounting to Rp862,296 million and proceeds from the sale of fixed assets amounting to Rp11,407 million. These cash inflows were largely offset by cash

outflows from financing activities amounting to Rp6,912. 264 million, which included net repayment of bank loans of Rp1,450,000 million, dividend payments of Rp5,097,417 million, lease obligation payments of Rp79,802 million, and the purchase of treasury stock of Rp285,045 million. The combination of these three activities resulted in a net increase in cash of Rp5,034,343 million, plus the impact of exchange rate changes amounting to Rp151 million, bringing the total increase in cash to Rp5,034,494 million (PT Unilever Indonesia Tbk, 2026). Thus, cash represents the net result of cash flows from operating, investing, and financing activities and is a component of current assets, not a standalone source of working capital.

The decrease in accounts receivable of Rp203,259 million and in inventory of Rp52,746 million is also insufficient to demonstrate an acceleration in the conversion of assets into cash. These two figures merely reflect the balances as of December 31, 2024, and December 31, 2025. An assessment of efficiency requires DSO and DIO calculated using average balances, as well as credit sales and cost of goods sold. Similarly, the increase in accounts payable of Rp712,032 million does not yet prove an increase in DPO or the company's bargaining power with suppliers, as the study did not analyze credit purchases, contract terms, and average payment periods. The financial statement notes even explain that the company's supply chain financing program does not significantly extend payment terms compared to suppliers' standard terms; the program is primarily used to centralize payments and enhance the predictability of cash outflows (PT Unilever Indonesia Tbk, 2026). This finding corrects the initial claim that the increase in accounts payable demonstrates the company's superior bargaining position.

These limitations also mean that DIO, DSO, DPO, and CCC cannot be used as a basis for interpretation in this study. Chen *et al.*, (2022) explain that CCC is a dynamic measure that requires combining the periods for inventory holding, accounts receivable collection, and accounts payable payment. Yilmaz and Nobanee (2023) also demonstrate that CCC values are influenced by firm, industry, and country characteristics, while Huynh (2024) found that financing uncertainty can result in different changes across each component of CCC. Therefore, PT Unilever Indonesia Tbk's negative net working capital cannot be explained solely by cash receipts occurring before payments to suppliers without a comprehensive CCC analysis. The only conclusion that can be drawn is that the company had current liabilities exceeding current assets on both reporting dates, although this negative gap narrowed in 2025.

On the current liabilities side, the absence of short-term bank debt at the end of 2025 must be viewed in conjunction with the increase in other liabilities. The net repayment of bank loans totaling Rp1,450,000 million did indeed reduce exposure to short-term bank financing, but total current liabilities still increased by 20.22%. The primary factor was an increase in tax liabilities of Rp2,084,298 million, or 916.41%, which accounted for approximately 87.12% of the total increase in current liabilities. The proportion of tax liabilities to current liabilities rose from 1.92% to 16.25%. Notes to the financial statements indicate that corporate income tax liabilities increased in line with the rise in current-year corporate income tax. In contrast, prepaid taxes remained relatively unchanged compared to the increase in tax liabilities (PT Unilever Indonesia Tbk, 2026). Since tax liabilities must be settled in accordance with tax regulations and schedules, their increase has the potential to amplify short-term cash requirements. However, without detailed information regarding payment dates and settlement terms, the research findings cannot determine the extent of the liquidity pressure that will arise.

These changes in working capital components are associated with an improvement in all three liquidity ratios. The current ratio increased from 0.45 to 0.74 times, but the value of 0.74 still indicates

that for every Rp1.00 of current liabilities, there are only Rp0.74 of current assets. The quick ratio rose from 0.23 to 0.57 times, meaning that current assets—excluding inventory—are still insufficient to cover all current liabilities. Meanwhile, the cash ratio increased from 0.06 to 0.40 times, meaning that cash on hand at the end of 2025 can directly cover approximately 40% of current liabilities. These three indicators show an improvement in the comparative position, but do not support characterizing the company as “highly liquid” or “financially secure” because all ratios remain below 1.00 and the study has not utilized industry benchmarks, peer companies, liability maturity analysis, or a longer historical data series.

These findings reinforce the view of Chang *et al.*, (2022) that liquidity assessments need to combine balance sheet positions with the ability to generate cash flows and access financing. Muchsidin *et al.*, (2025) also emphasize that liquidity cannot be separated from funding structure and risk management. In the case of PT Unilever Indonesia Tbk, positive operating cash flow and cash receipts from discontinued operations helped increase cash reserves; however, these investment cash flows were transactional in nature and may not necessarily recur in subsequent periods. At the same time, financing cash outflows and an increase in tax liabilities indicate a material cash requirement. Thus, the increase in the cash balance in 2025 should be interpreted as the result of a combination of recurring and non-recurring activities, rather than as sole evidence of sustained liquidity strengthening.

Overall, the research findings indicate an improvement in the net working capital position and liquidity ratios in 2025 compared to 2024, but several sources of risk accompany this improvement. The main risks stem from net working capital that remains negative, all liquidity ratios being below 1.00, a material increase in tax liabilities, and the fact that part of the cash increase depends on the sale of discontinued operations. The practical implication is that the company needs to maintain its ability to generate operating cash flow, align its collection and payment schedules, and monitor the maturities of tax liabilities, trade payables, accrued expenses, and lease obligations. Since the analysis covers only two periods, this discussion is limited to changes in the financial position. It is not used to conclude management effectiveness, long-term stability, bargaining power with suppliers, or permanent changes in the company's working capital policy.

## 5. Concluding Remarks and Recommendation

This study aims to analyze changes in net working capital components, identify activities related to changes in cash, and evaluate the liquidity position of PT Unilever Indonesia Tbk based on its audited financial statements for 2024 and 2025. The study employs a quantitative descriptive method using a case study approach and comparative financial statement analysis. Measurements were taken of net working capital, the current ratio, the quick ratio, and the cash ratio, while changes in cash were traced through operating, investing, and financing activities. Since it uses only two reporting periods, this study describes inter-period changes and does not establish long-term trends or test causal relationships. The results show that the net working capital deficit narrowed from Rp6,549,653 million in 2024 to Rp3,677,996 million in 2025. This change occurred because the increase in current assets exceeded the increase in current liabilities. The increase in cash and cash equivalents was not a source of working capital but rather the net result of operating, investing, and financing activities. Positive operating cash flow and proceeds from the sale of discontinued operations supported the increase in cash. At the same time, repayment of bank loans, dividend payments, lease obligation payments, and the purchase of treasury shares constituted financing cash outflows. On the liability side, the increase in tax liabilities

contributed the most to the rise in current liabilities, which must be taken into account in managing short-term cash needs.

The liquidity position has improved, as indicated by increases in the current ratio (from 0.45 to 0.74 times), the quick ratio (from 0.23 to 0.57 times), and the cash ratio (from 0.06 to 0.40 times). However, all of these ratios remain below 1.00, meaning that current assets, quick assets, and cash will not fully cover current liabilities by the end of 2025. Therefore, the research findings do not conclude that the company is highly liquid or financially secure. A negative net working capital also cannot be directly interpreted as evidence of either efficiency or financial distress. Such an assessment requires additional information regarding recurring cash flows, the maturity schedule of liabilities, industry benchmarks, supplier payment terms, and a fully calculated CCC. In practical terms, the study's findings provide an evaluation framework that integrates net working capital position, liquidity ratios, cash flows, and the composition of current liabilities so that changes in cash balances are not interpreted in isolation.

This study is limited to a single company and two reporting years; therefore, it cannot yet explain trends, structural changes in working capital policy, or performance comparisons with other FMCG companies. The study also did not calculate DIO, DSO, DPO, and CCC because the analysis did not utilize data on credit sales, credit purchases, adequate average balances, or supplier payment terms. Future research is recommended to extend the observation period to at least five years, include comparable companies in the FMCG industry, analyze the maturity schedule of liabilities, and calculate all components of the CCC. The analysis can be expanded by incorporating ROA, ROE, profit margins, operating cash flow, and risk measures so that the relationship between working capital, liquidity, and financial performance can be tested using panel or time-series methods. For management, the key recommendations are to maintain operating cash flow, prepare cash projections based on the maturity of liabilities, monitor the settlement of tax liabilities, and manage foreign exchange risk and supplier payments based on measured exposure levels.

## Statement of Use of Generative AI

During the preparation of this work, the author used generative artificial intelligence tools to support the scientific writing process. Grammarly was used to check grammar, refine writing style, and improve clarity in scientific writing. All interpretations, analyses, and conclusions presented in this study are the sole responsibility of the author.

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