

## **CHAPTER V**

### **CONCLUSION AND IMPLICATION**

The final chapter of this thesis concludes the result of this research and discussion from the previous chapter. The implication of the result on theoretical or practical implementation is described in this chapter together with this research limitation and suggestion for future research about related topics.

#### **A. Conclusion**

This research is done in order to analyze the effect of cash management, bad debt and receivable management on firm performance. There are 5 conclusions in this research:

1. Account receivable turnover does not have significant effect on firm performance due to the high account receivable turnover that generates expenses around the collection cost of the account receivable that makes the extra income from taking purchase in credit overlapped by the cost.
2. Bad debt has negative effect on firm performance due to it being an expense that decrease firm overall income.
3. Net operating cash flow has positive effect on firm performance, higher net operating cash flow of a company can be a signal of better performance that company has.
4. Free cash flow does not have significant effect on firm performance due to ineffective usage of the free cash flow available within the company.
5. Cash turnover ratio has positive effect on firm performance, the fast cash flow generated by the firm can be a signal of good firm performance.

## **B. Implication**

### **1. Theoretical Implication**

This research, by using panel data regression, gives more understanding towards the influence of cash management, bad debt and receivable management on firm performance, how the signaling theory is applied in this kind of research and its role in explaining the reason regarding the statistical result, and giving deeper understanding regarding how account receivable turnover, bad debt, net operating cash flow, free cash flow and cash turnover ratio affect firm performance both in a whole and partially. The inclusion of control variables gives an illustration of how much those variables (return on asset, firm size, and debt-to-equity ratio) add overall significance together with the independent variables.

### **2. Managerial Implication**

This research shows the effect of cash management, bad debt and receivable management on firm performance through account receivable turnover, bad debt, cash turnover ratio, free cash flow, cash turnover ratio and firm performance variables, with this research result, managers can have better understanding which variables that signal the improvement of firm performance and which ones that reduce the firm performance, for example:

- a) In cash management, this research suggests that increasing cash turnover ratio and net operating cash flow can make a signal of firm performance increase. Therefore, managers shall focus on increasing cash turnover ratio

and net operating cash flow if they want to increase their firm's performance.

- b) For bad debt and receivable management, this research suggests that the increase of bad debt can be a signal of firm performance decrease. So, managers are suggested to focus on eliminating bad debt if they want to increase their firm's performance.

Therefore, managers can formulate better strategy to increase firm performance by taking account of those variables correctly knowing which state of those variables is in their firms and take action based on it to reduce the risk of performance loss.

### **C. Limitation and Future Research**

#### **1. Limitation**

This research is limited by the data availability during the process of data collection that resulted in a very limited number of companies that are eligible to be included in the statistical analysis. The fact that Indonesia status was still a developing country also limits this research context to developing countries conditions, thus making the result of this research may not perfectly applicable in other countries that are in developed or least-developed category.

#### **2. Future Research**

The recommendation for future research is to get more companies that are eligible to be included in statistical analysis, this can be done by using different proxy or using different formula. Another recommendation is to do the research when Indonesia status has changed from developing country or use sample from

other country that is in other category to get perspective and context regarding the same or similar topic.

