

# **Relationship of Working Capital Management and Leverage towards Firm Value: An Evidence from Indonesia Stock Exchange**

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## **Abstract**

The level of prosperity of the owners represents the high firm value. Investors' primary focus has shifted to the firm's value. The firm's value reflects the level of prosperity of its shareholders and investors. It means that the firm value has become a performance indicator for the company's finance manager. One of the most primary company goals is to obtain maximum profit from the business activities. However, the purpose of establishing a company is not only to achieve maximum profit but also to increase the prosperity of parties related to the company's business activities, such as shareholders and stakeholders, so that the company's value increases. Thus, the current investigation examines the relationship between working capital management and leverage towards firm value in the Indonesia Stock Exchange. This quantitative study utilized secondary data were collected from the Central Bureau of Statistics of Indonesia for 2016 to 2020. The data were analyzed using time series regression by assisting econometrical software, namely EVIEWS-10. The results indicated that Working Capital Management has a positive and significant effect on Firm Value. Besides that, the leverage has no significant effect on Firm Value. In conclusion, this study has identified the important factor influencing firm value, and leverage has not affected firm value. The findings of this research can be used as the basis for making investment decisions. The aspect measures the ability of the company's assets to generate a return on investment made in the company's asset instruments.

## Keywords

Working Capital Management, Leverage, Profitability, and Firm Value.

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