

FINANCIAL PERFORMANCE EVALUATION FOR PT XYZ'S SUBCONTRACTOR SELECTION FOR PIT X MINING PROJECT AT PT VWX



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Abstract

This study is conducted to support PT XYZ in identifying the most financially sound subcontractor for executing the PIT X mining project, commissioned by PT VWX. Given PT XYZ's limited working capital, the company plans to delegate the project to one of several publicly listed subcontractors. To make an informed decision, a comprehensive assessment of financial performance is essential to ensure the selected firm can handle both the operational and financial demands of the project. The research utilizes financial ratio analysis focused on four primary dimensions: liquidity, activity, solvency, and profitability. Key indicators such as the current ratio, quick ratio, total asset turnover, debt ratio, interest coverage, net profit margin, return on assets, and return on equity are applied to evaluate three shortlisted subcontractors: PT Darma Henwa Tbk (DEWA), PT Delta Dunia Makmur Tbk (DOID), and PT Petrosea Tbk (PTRO). The Weighted Scoring Method (WSM) is used to assign importance to each ratio based on strategic value, resulting in a composite score that reflects each company's overall financial condition. The findings indicate that PT Petrosea (PTRO) secures the highest weighted score, suggesting it possesses superior financial stability and operational effectiveness compared to the others. PTRO shows consistent strength in asset management, solvency, and profitability, making it the top candidate for subcontracting the PIT X project. This study presents a structured, evidence-based model for evaluating subcontractors, which can be extended to vendor selection practices in other capital-intensive sectors.

Keywords: Financial Performance Evaluation, Subcontractor Selection, Financial Ratios, Weighted Scoring Method, Liquidity, Solvency

INTRODUCTION

PT XYZ, a company operating in the mining services sector, has recently secured the PIT X mining project from PT VWX. This project presents a strategic opportunity to boost PT XYZ’s market competitiveness and elevate its reputation within the mining industry. However, the company is currently facing a significant obstacle insufficient working capital which hinders its ability to finance the project independently. To address this limitation, PT XYZ intends to delegate the project's operational execution to a subcontractor. The subcontractor selection process must be carried out carefully and supported by accurate data to minimize potential risks related to financial instability or operational failure. Consequently, a detailed assessment of the financial health of several shortlisted subcontractors is required through financial statement analysis. This study aims to assist PT XYZ in making well informed, objective decisions in selecting the most financially capable subcontractor for the PIT X project, thereby ensuring project success and sustaining a strong partnership with PT VWX as the main client.

Business Issue

As illustrated in Figure I.1, PT XYZ experienced ongoing financial losses between 2018 and 2020, despite a revenue increase in 2019. The most severe loss occurred in 2020, amounting to Rp 142 million. This decline was primarily caused by a 25% reduction in production volume, as PT VWX scaled back its allocation from the agreed target of 44,000,000 BCM due to the COVID 19 pandemic. The cutback significantly affected the company's financial results, with revenue falling to Rp 1.150 billion. PT XYZ is encountering a major financial obstacle in the area of working capital management, which significantly limits its capacity to undertake capital heavy projects. As of 2023, the company reported a working capital deficit of Rp 1.17 trillion, with current liabilities amounting to Rp 1.52 trillion and current assets totaling only Rp 351.77 billion. This persistent imbalance is clearly illustrated in Figure I.1, highlighting a continuous negative working capital trend over the past five years. Effective working capital management is essential to ensure a company’s ability to operate smoothly and meet short term obligations and operational expenses (Gitman & Zutter, 2015).

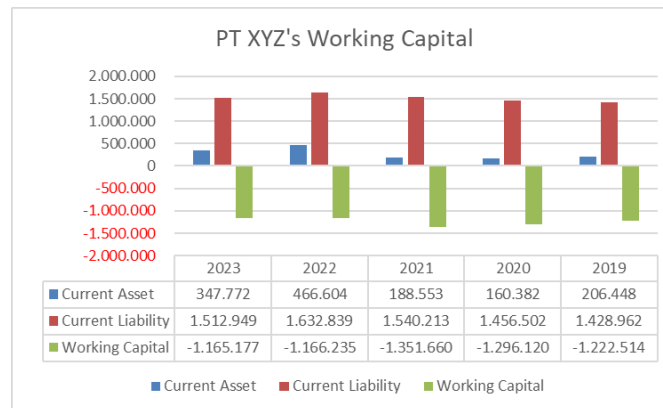


Figure 2.
PT XYZ's Working Capital
 (Source: Author’s Analysis Based on PT XYZ’s 2025 Annual Report)

PT XYZ has experienced a significant decline in liquidity ratios. In 2023, the current ratio dropped to 23.19%, the quick ratio to 20.20%, and the cash ratio to just 4.91%, indicating the company's limited ability to meet short term obligations using its liquid assets. The liquidity trend illustrated in the figure highlights both a steady downward trajectory and fluctuations in these ratios, emphasizing the company's increasingly constrained cash flow.

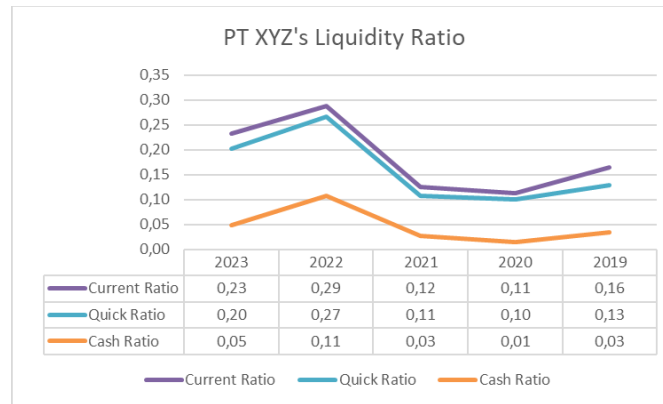


Figure 3.
PT XYZ's Liquidity Ratio
 (Source: Author's Analysis, 2025)

In addition to liquidity challenges, PT XYZ is burdened by a heavily debt-driven capital structure. In 2023, the company reported a debt to equity ratio of 20.9 and a debt-to-asset ratio of 0.95, indicating that the vast majority of its assets are financed through liabilities rather than shareholder equity. As depicted in Figure I.4, the company's debt levels have remained consistently high, reaching their peak in 2022 and staying above recommended financial thresholds.

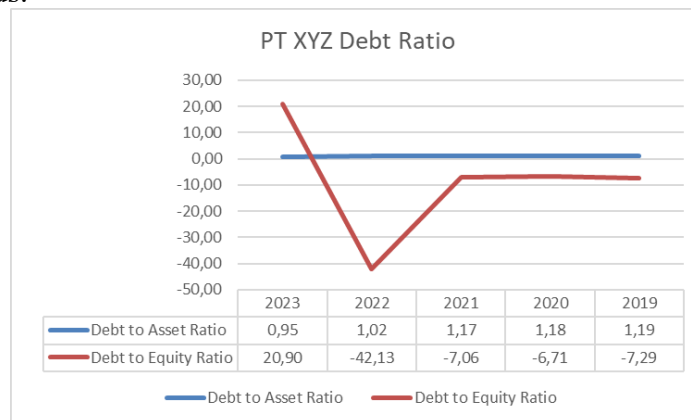


Figure 4.
PT XYZ's Debt Ratio
 (Source: Author's Analysis, 2025)

PT XYZ's highly leveraged financial position significantly restricts its ability to obtain additional external funding. As a result, the company is compelled to collaborate with a subcontractor that possesses strong and stable financial health to effectively carry out the

project. However, the process of selecting a subcontractor is complex and must be approached with caution. A poor selection could expose the company to serious operational disruptions, financial losses, and reputational damage. Therefore, conducting a thorough financial performance assessment of potential subcontractors is essential. PT XYZ must ensure that the selected partner is not only technically capable but also financially robust to guarantee that the PIT X project is executed efficiently on schedule, within budget, and in compliance with the expected quality standards.

REVIEW OF LITERATURE

Liquidity Ratios

Liquidity analysis in this study was conducted using the current ratio and quick ratio to assess each company's ability to meet its short term obligations. According to Al-Malkawi and Pillai (2013), the current ratio reflects overall liquidity strength, while the quick ratio provides a more cautious assessment by excluding inventories from current assets. The results indicate that DOID consistently maintained higher liquidity ratios compared to DEWA throughout 2019–2023, suggesting a stronger short term financial position. In contrast, DEWA experienced significant fluctuations and a notable decline in its ratios during 2021–2022, indicating potential liquidity pressures during those periods.

Solvency Ratios

Solvency ratios were analyzed using the debt ratio, debt-to-equity ratio (DER), and interest coverage ratio (ICR) to evaluate each company's reliance on debt financing and its ability to service interest expenses. Salim and Yadav (2012) emphasized the importance of debt ratio and DER in assessing long-term financial risk, while Brigham and Houston (2019) noted that ICR measures a company's capacity to meet interest obligations through operating profits. The analysis revealed that PTRO experienced a significant increase in both debt ratio and DER in 2023, while DOID consistently maintained a high DER throughout the years, reflecting an aggressive but steady leverage strategy. Meanwhile, DEWA faced fluctuating DER values and a sharp decline in ICR in 2022 due to operational losses, indicating heightened financial vulnerability.

Profitability Ratios

Profitability evaluation was carried out through gross profit margin (GPM), operating profit margin (OPM), net profit margin (NPM), return on assets (ROA), and return on equity (ROE). As Brigham and Houston (2019) explained, profitability reflects a company's ability to generate earnings from sales, assets, and equity capital. The findings show that DOID maintained relatively stable profitability performance, with GPM and NPM consistently higher than DEWA, although OPM remained negative. DEWA experienced low, and in some years, negative profitability especially in terms of operating and net profit margins. Furthermore, DEWA's ROA fell sharply in 2022 due to losses, while DOID sustained a positive, albeit modest, ROA, indicating better asset management amidst challenging market conditions. PTRO, on the other hand, demonstrated the most consistent profitability across the period, supported by strong ROA and ROE figures despite a significant drop in 2023.

RESEARCH METHOD

Research Design

This chapter explains the research approach, methodology, and procedures applied to answer the research questions and meet the study's objectives. The primary goal is to assess and compare the financial performance of selected subcontractor candidates to identify the most suitable partner for PT XYZ in executing the PIT X mining project. Hence, choosing the right research methodology is critical to produce accurate and trustworthy recommendations. The chapter covers the type of research used, sources and methods of data collection, data analysis techniques, and the evaluation criteria applied during the decision-making process.

Data Collection Method

This study utilized a data collection method focused on gathering relevant information to assess the financial performance of potential subcontractors and analyze PT XYZ's business context in executing the PIT X project. The research relied on secondary data, primarily derived from the audited annual financial reports of three shortlisted companies PT Darma Henwa Tbk. (DEWA), PT Delta Dunia Makmur Tbk. (DOID), and PT Petrosea Tbk. (PTRO) all publicly available via the Indonesia Stock Exchange (IDX) and the companies' official websites. Additional supporting materials were sourced from internal policy documents, academic literature, scholarly journals, and industry publications related to the mining sector. The selection of secondary data was based on its credibility, ease of access, and relevance to the study's quantitative approach using financial ratio analysis. All collected data were systematically processed to generate strategic insights for PT XYZ in identifying the most financially qualified subcontractor.

Data Analysis Method

The study applied a quantitative analysis method using financial ratio analysis to evaluate the financial health of each prospective subcontractor (DEWA, DOID, and PTRO). The analysis was structured into four main categories: liquidity, activity, solvency, and profitability. Each ratio was calculated from the firms' financial statements and compared across the companies for the same fiscal year to identify the strongest performer. The findings were then used to rank the financial performance of each candidate and form an objective basis for PT XYZ's subcontractor selection. To enhance the strategic relevance of the decision, the financial analysis was integrated with the company's internal and external assessments through a SWOT analysis, ensuring that the selected subcontractor aligns not only financially, but also strategically with the project's requirements.

RESULTS AND DISCUSSION

Financial Ratio Analysis

This subsection discusses financial ratio analysis as the primary tool for evaluating the financial performance of the three prospective subcontractors: PT Darma Henwa Tbk (DEWA), PT Delta Dunia Makmur Tbk (DOID), and PT Petrosea Tbk (PTRO). This analysis is conducted to assist PT XYZ in determining the most financially viable partner to undertake the PIT X mining project. The evaluation uses key financial ratios that reflect aspects of liquidity, solvency, profitability, and operational efficiency. By comparing the results across the three companies, PT XYZ can establish an objective and measurable basis for making strategic decisions in subcontractor selection.

Table 1.
Liquidity Summary (Current & Quick Ratio)

Year	DEWA Current Ratio	DEWA Quick Ratio	DOID Current Ratio	DOID Quick Ratio	PTRO Current Ratio	PTRO Quick Ratio
2019	1,01	0,98	1,83	1,81	—	—
2020	1,12 (↑0,10%)	1,09 (↑0,12%)	1,67 (↓0,09%)	1,65 (↓0,09%)	—	—
2021	0,81 (↓0,27%)	0,77 (↓0,30%)	1,42 (↓0,15%)	1,40 (↓0,15%)	—	—
2022	0,60 (↓0,27%)	0,52 (↓0,33%)	1,55 (↑0,09%)	1,51 (↑0,08%)	—	—
2023	0,69 (↑0,16%)	0,62 (↑0,20%)	1,94 (↑0,25%)	1,90 (↑0,26%)	—	—

The liquidity ratio analysis revealed varying trends across the three companies. PT Darma Henwa Tbk (DEWA) experienced a declining liquidity trend over the 2019–2023 period. Its Current Ratio, initially above the safe threshold (>1) in 2019–2020, dropped significantly to 0.60 in 2022, reflecting liquidity pressure driven by rising short term liabilities unmatched by sufficient growth in current assets. Although a slight recovery occurred in 2023, the ratio remained below ideal levels, indicating ongoing risks in meeting short term obligations. Conversely, PT Delta Dunia Makmur Tbk (DOID) maintained a consistently strong and stable liquidity position, with both the Current and Quick Ratios remaining above 1.0 throughout the period. Despite a temporary dip in 2020–2021, these ratios rebounded in 2022 and reached their highest levels in 2023, signaling efficient working capital management and a secure short-term financial position supported by consistent growth in current assets. PT Petrosea Tbk (PTRO) exhibited a gradual decline in liquidity ratios, although both the Current and Quick Ratios remained above the minimum safe threshold up to 2023. The steady decline suggested mounting pressure on current assets or rising short-term liabilities, but the company retained a healthy short-term financial standing. Overall, DOID demonstrated the strongest liquidity performance, followed by PTRO, while DEWA faced significant liquidity risks requiring close attention.

Table 2.
Solvency Summary (Debt Ratio, DER, ICR)

Year	DEWA Debt Ratio	DEWA DER	DEWA ICR	DOID Debt Ratio	DOID DER	DOID ICR	PTRO Debt Ratio	PTRO DER	PTRO ICR
2019	0,57	1,35	1,56	0,76	3,21	3,21	0,61	1,59	3,95
2020	0,51 (↓0,11%)	1,04 (↓0,22%)	1,02 (↓0,34)	0,73 (↓0,04%)	2,69 (↓0,16%)	2,69 (↓0,16%)	0,56 (↓0,08%)	1,29 (↓0,19%)	4,65 (↑0,18%)
2021	0,52 (↑0,02%)	1,08 (↑0,03%)	1,90 (↑0,85)	0,84 (↑0,15%)	5,16 (↑0,91%)	5,16 (↑0,91%)	0,51 (↓0,09%)	1,05 (↓0,19%)	8,41 (↑0,81%)
2022	0,60 (↑0,15%)	1,48 (↑0,37%)	(0,27) (↓1,14)	0,84 (0,00%)	5,13 (↓0,01%)	5,13 (↓0,01%)	0,50 (↓0,02%)	1,00 (↓0,04%)	7,77 (↓0,08%)
2023	0,60 (0,00%)	1,47 (0,00%)	1,20 (↑5,42)	0,85 (↑0,02%)	5,88 (↑0,15%)	5,88 (↑0,15%)	0,68 (↑0,35%)	2,09 (↑1,09%)	1,81 (↓0,77%)

The activity ratio analysis indicated relatively efficient operational management among the companies, although significant weaknesses were observed in receivables management. PT Delta Dunia Makmur (DOID) improved inventory management as shown by a consistent decrease in the Average Age of Inventory from 27 days in 2019 to 16 days in 2023. However, its Average Collection Period (ACP) remained excessively high, exceeding 150 days annually, posing a potential threat to cash flow stability. PT Petrosea (PTRO) consistently achieved outstanding inventory management, maintaining an Average Age of Inventory between 6 and 20 days, and a stable Total Asset Turnover (TATO) above 0.70. Nevertheless, its ACP steadily increased, peaking at 252 days in 2023, raising concerns over delayed receivables collection. Although its Average Payment Period (APP) remained relatively stable, the slow receivables turnover could challenge liquidity if not addressed. In summary, both companies performed well in inventory and asset utilization efficiency. However, the persistently high ACP in both DOID and PTRO highlighted receivables management as a critical weakness requiring improvement. DOID led in inventory and asset efficiency, while PTRO demonstrated stable operational activity but faced increasing receivables collection challenges.

Table 3
Profitability Summary (Updated)

Year	DEWA GPM	DEWA OPM	DEWA NPM	DEWA ROA	DOID GPM	DOID OPM	DOID NPM	DOID ROA	DOID ROE	PTRO GPM	PTRO OPM	PTRO NPM	PTRO ROA	PTRO ROE
2019	6,01%	-2,77%	1,10%	0,69%	16,18%	-12,22%	2,32%	1,73%	7,30%	17,03%	8,52%	6,57%	5,68%	14,74%
2020	2,46%	1,00%	0,54%	0,30%	8,64%	-12,69%	-3,90%	-2,41%	-8,89%	21,97%	10,43%	9,54%	6,14%	14,04%
	(↓3,55%)	(↑3,77%)	(↓0,55%)	(↓0,39%)	(↓7,53%)	(↓0,47%)	(↓6,22%)	(↓4,14%)	(↓16,19%)	(↑4,94%)	(↑1,91%)	(↑2,96%)	(↑0,45%)	(↓0,69%)
2021	10,79%	-4,48%	0,34%	0,19%	14,81%	-13,93%	0,03%	0,02%	0,11%	17,93%	9,94%	8,17%	6,37%	13,05%
	(↑8,33%)	(↓5,48%)	(↓0,21%)	(↓0,11%)	(↑6,17%)	(↓1,24%)	(↑3,93%)	(↑2,42%)	(↑9,00%)	(↓4,04%)	(↓0,49%)	(↓1,37%)	(↑0,24%)	(↓0,99%)
2022	0,14%	-1,02%	-4,10%	-3,11%	13,11%	-10,51%	1,84%	1,82%	11,18%	20,05%	10,54%	8,65%	6,91%	13,83%
	(↓10,65%)	(↑3,46%)	(↓4,44%)	(↓3,31%)	(↓1,70%)	(↑3,42%)	(↑1,81%)	(↑1,81%)	(↑11,07%)	(↑2,11%)	(↑0,60%)	(↑0,49%)	(↑0,54%)	(↑0,78%)
2023	6,95%	-4,35%	0,48%	0,43%	13,44%	-10,15%	1,96%	1,92%	13,21%	14,21%	2,78%	2,15%	1,71%	5,28%
	(↑6,81%)	(↓3,33%)	(↑4,58%)	(↑3,55%)	(↑0,33%)	(↑0,36%)	(↑0,12%)	(↑0,10%)	(↑0,18%)	(↓5,83%)	(↓7,76%)	(↓6,50%)	(↓5,20%)	(↓8,55%)

The solvency analysis revealed that all three companies relied heavily on debt to finance their assets, albeit with different trends. PT Darma Henwa (DEWA) maintained a moderate Debt Ratio between 0.51 and 0.60, while its Debt to Equity Ratio (DER) rose from 1.04 in 2020 to 1.48 in 2022. Although its Interest Coverage Ratio (ICR) improved early in the period, substantial operating losses in 2022 pushed the ICR into negative territory before recovering to 1.20 in 2023 indicating that debt servicing remained a financial strain. PT Delta Dunia Makmur (DOID) recorded a high Debt Ratio of 0.85 in 2023, with DER increasing sharply from 2.69 in 2020 to 5.88 in 2023. Despite this high leverage, the company maintained a favorable ICR, rising from 3.21 in 2019 to 5.88 in 2023, reflecting a solid ability to cover interest expenses from operating income. This suggested strong debt management and financial resilience, though the elevated DER posed a long-term risk if profitability failed to keep pace.

Meanwhile, PT Petrosea (PTRO) showed a declining Debt Ratio from 0.61 in 2019 to 0.50 in 2022, improving its capital structure. However, the ratio spiked to 0.68 in 2023 following a coal mine acquisition. Similarly, DER decreased until 2022 before rising sharply to 2.09 in 2023. PTRO's ICR remained strong above 7.0 until 2022 but dropped to 1.81 in 2023 due to increased interest expenses and reduced operating profits, signaling rising financial risk requiring immediate attention.

Weighted Scoring Method

Table 4.
Weight Distribution of Financial KPIs

Category	Weight	Weight Assignment Reason
Liquidity	20%	Ensures the subcontractor has sufficient liquidity for mining project operations. Current Ratio and Quick Ratio are each assigned a weight of 10%.
Activity	15%	Measures how efficiently the subcontractor manages its assets to support the project. Total Asset Turnover is selected for this purpose.
Solvability	20%	Assesses the stability of the capital structure to avoid default risk. Debt Ratio and Times Interest Earned are each weighted at 10%.
Profitability	45%	Evaluates the subcontractor's ability to generate sustainable profits. Net Profit Margin, ROA, and ROE are each assigned a weight of 15%.

Here is the Weighted Scoring Method (WSM) table comparing the financial ratios of DEWA, DOID, and PTRO.

Table 5.
Weighted Scoring Methods Calculation

No	Criteria	Category	Bobot	DEWA Score	DEWA Final Score	DOID Score	DOID Final Score	PTRO Score	PTRO Final Score
1	Current Ratio	Liquidity	0.10	1	0.10	3	0.30	2	0.20
2	Quick Ratio	Liquidity	0.10	1	0.10	3	0.30	2	0.20
3	Total Asset Turnover	Activity	0.15	2	0.30	2	0.30	3	0.45
4	Debt Ratio	Solvability	0.10	2	0.20	1	0.10	3	0.30
5	Times Interest Earned	Solvability	0.10	1	0.10	2	0.20	3	0.30
6	Net Profit Margin	Profitability	0.15	1	0.15	2	0.30	3	0.45
7	Return on Assets	Profitability	0.15	1	0.15	2	0.30	3	0.45
8	Return on Equity	Profitability	0.15	1	0.15	3	0.45	2	0.30
Total					0.80		1.20		1.45

Based on the Weighted Scoring Method (WSM) table above, it can be concluded that PTRO achieved the highest final score of 1.45, followed by DOID with 1.20, and DEWA with 0.80. This indicates that overall, PTRO demonstrates superior financial performance compared to the other two companies in terms of liquidity, activity, solvency, and profitability. PTRO earned the top scores in indicators such as Total Asset Turnover, Debt Ratio, and Times Interest Earned, reflecting efficient operational activity and a relatively healthy debt structure. DOID performed best in the Current Ratio and Quick Ratio, indicating strong short-term liquidity, and also achieved a perfect score in Return on Equity. Meanwhile, DEWA recorded the lowest scores in nearly all indicators, revealing broad weaknesses in its financial structure and profitability.

Implementation Plan and Justification

To ensure the successful execution of the PIT X mining services project while mitigating the financial limitations faced by PT XYZ, a structured implementation plan has been designed (Table IV. 31). This plan outlines sequential action steps from subcontractor screening to project execution monitoring, covering the period from July to September 2025. The timeline is presented in a Gantt chart format to clarify the dependencies and scheduling of each task. The primary justification for this phased plan is to align the subcontractor selection process with internal governance requirements and operational readiness. Each activity from financial evaluation using ratio analysis to onboarding and monitoring is essential to minimize project risk and ensure the selected subcontractor meets the performance and compliance expectations of PT VWX.

Table 6.
Project Implementation Plan

Additional column is represent weeks.

Action Plan	START DATE	END DATE	MONTH JULY				MONTH AUGUST					MONTH SEPTEMBER					
			WEEK START DATE														
			1	7	15, 18	25	1	8	15	22	29	5	12	19	26		
Subcontractor Screening	1-Jul	7-Jul															
Financial Ratio Evaluation	7-Jul	14-Jul															
Weighted Scoring & Ranking	15-Jul	17-Jul															
Internal Approval & Review	18-Jul	24-Jul															
Contract Negotiation	25-Jul	8-Aug															
Subcontractor Nomination & Owner Approval	9-Aug	17-Aug															
Subcontractor Onboarding	18-Aug	26-Aug															
Project Execution Monitoring	27-Aug	30-Sep															

(Source: Author’s Analysis, 2025)

CONCLUSION

This research was conducted to support PT XYZ in selecting the most financially viable subcontractor for the PIT X mining services project at PT VWX. Given PT XYZ's limited working capital, the choice of subcontractor plays a critical role in ensuring smooth project execution without exposing the company to additional financial risks. Using financial ratio analysis across four dimensions, liquidity, activity, solvability, and profitability of three publicly listed mining contractors were evaluated: PT Darma Henwa Tbk (DEWA), PT Delta Dunia Makmur Tbk (DOID), and PT Petrosea Tbk (PTRO). The analysis applied a Weighted Scoring Method (WSM) to assign relative importance to each financial ratio. PTRO achieved the highest final score of 1.45, followed by DOID with 1.20, and DEWA with 0.80. PTRO demonstrated strong financial fundamentals, particularly in solvency, profitability, and

operational efficiency, making it the most appropriate subcontractor candidate to execute the PIT X project.

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