

## ABSTRACT

The COVID-19 pandemic has profoundly disrupted the economy, particularly affecting the service sector in Indonesia. Companies in the region face challenges related to availability and repayment terms. Invoice financing, predominantly offered by fintech lending and leasing companies, presents an alternative to traditional financing methods, aiding companies in managing their Cash Conversion Cycle (CCC) and accessing capital. This study aims to investigate the impact of invoice financing on both the CCC and the profitability of companies. It provides a comprehensive framework for understanding the utilization of invoice financing and analysing strategic approaches and decision-making processes. Additionally, the research identifies critical banking parameters, creditworthiness criteria, financial ratios, stakeholder profiles, and strategies for sustaining business operations. Recommendations are also offered on managing invoice financing effectively to enhance creditworthiness and profitability.

The study proposes that structured development can be achieved by leveraging financial and non-financial parameters for credit-scoring purposes. Invoice financing proves advantageous for companies with robust corporate governance, substantial revenue streams, and high turnover rates, ensuring clarity in legal standing, compliance, and adherence to stringent safety and quality standards. Primary suppliers benefit from the certainty provided by uninterrupted workflow, particularly in sectors with extensive public exposure and consistent operations, which mitigates the risk associated with unpaid invoices.

Nevertheless, strategic timing and meticulous record-keeping are critical considerations. While invoice financing can facilitate transactions for customers lacking a transaction history or newly established businesses, it may not be suitable for those unable to meet compliance agreements or demonstrate a transaction history. The approach notably reduces Days of Payables Outstanding and the Cash Conversion Cycle for XYZ, albeit without significantly impacting Days of Sales Outstanding (DSO). Furthermore, invoice financing can bolster a company's creditworthiness by improving factors such as BI Checking, Current Ratio, ROA, ROE, Net Profit Margin Ratio, Debt Coverage Ratio and overall revenue performance.

**Keywords:** Invoice Financing, Cash Conversion Cycle, Creditworthiness, profitability, credit scoring.