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ANALYSIS OF LEVERAGE, WORKING CAPITAL, LIQUIDITY, CASH CONVERSION CYCLE AND FIRM SIZE ON PROFITABILITY OF MANUFACTURING FIRMS LISTED IN INDONESIA STOCK EXCHANGE

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Abstract

The purpose from this research is to determine the relationship of Debt to Equity Ratio, Working Capital Ratio, Current Ratio, Cash Conversion Cycle, and Firm size to Return on Equity at manufacturing firms listed on the Indonesia Stock Exchange. Debt to Equity Ratio, Working Capital Ratio, Current Ratio, Cash Conversion Cycle, and Firm size are being used as the independent variables. While, return on equity ratio is being used as the dependent ratio.

The sample of this research consist of 96 manufacturing firms on Indonesia Stock Exchange from year 2012 until year 2016. This study uses the Panel Regression Analysis method with the best model chosen is the fixed effect model. The software used in this study is Eviews 7 and SPSS version 19 to conduct an outlier test and test data description statistics.

The results of this study indicate that there is a negative significant effect between debt to equity ratio and working capital on return on equity and positive significant effect between firm size on return on equity, while the current asset and cash conversion cycle variable does not have a significant effect on stock prices.

Keywords: Return on Equity, Debt to Equity Ratio, Working Capital Ratio, Current Ratio, Cash Conversion Cycle, Firm size