CHAPTER V

CONCLUSION, LIMITATION, AND RECOMMENDATION

1.1 Conclusion

The purpose from this research is to find out the effect between *Financial Leverage, Working Capital, Liquidity, Cash Conversion Cycle* and *Firm Size* on *Return on Equity* at the manufacturing firms listed in Indonesia Stock Exchange. According to the result and discussion from Chapter 4 and the theoretical framework from Chapter 2, then the author made the conclusion as below:

1. Financial leverage which used *debt to equity* as the variable has a significant relationship on *return on equity* at the manufacturing firms listed on Indonesia Stock Exchange. This result show is consistent with Saleem et al., (2011), Barbuta-Misu (2013), Leon (2013), and Nadeem et al., (2015)'s study, but it's not consistent with Kimathi et al., (2015) and Rehman (2013)'s study.
2. Working Capital show a significant relationship on *ROE* at the manufacturing firms listed on Indonesia Stock Exchange. This result show is not consistent with Sharma and Kumar (2011) and Wanguu and Kipkirui (2015).
3. Liquidity which used *current ratio* as the variable doesn't has a significant relationship on *return on equity* at the manufacturing firms listed on Indonesia Stock Exchange. This result show is consistent with Ailemen et al., (2014), Priya K and Nimalathasan (2013), Niresh (2012) and Rehman et al., (2015)'s studies. But, it's not consistent with Irawan and Faturohman (2015), Khidmat and Rehman (2014), Alzorqan (2014), and Ahmad (2016)'s studies.

4. Cash conversion cycle showed a significant relationship on *return on equity* at the manufacturing firms listed on Indonesia Stock Exchange. This result show is consistent with Irawan and Faturohman (2015), John (2014) and Atta et al., (2017)'s studies. But, it's not consistent with Majeed et al., (2013)'s study.
5. Firm size as the variable has a significant relationship on *return on equity* at the manufacturing firms listed on Indonesia Stock Exchange. This result show is consistent with Linh and Mohanlingam (2018)'s study. But, it's not consistent with Olawale et al., (2017)'s study.

1.2 Limitation

In this research, the author found out some limitation as shown below:

1. The sample used in this research is limited as some of the data of the manufacturing firms didn't qualified for the research's criteria. Out of 144 companies listed on Indonesia Stock Exchange, only 97 companies are qualified for the research's criteria.
2. Limited research using financial statement ratios.
3. This research uses time series and cross sections with short periods of time.

1.3 Recommendation

1. For academic

For further researchers, it is hoped that they can carry out research on the nature of development and improvement of this research, so that they can add insight

and knowledge regarding the factors that influence profitability. Research development can be done by extending the period of research, namely adding years of observation and conducting broader research involving independent macroeconomic variables, such as inflation, foreign exchange rates.

2. For company

   This research is expected to be a consideration for companies in managing the company's internal through financial ratios that exist within the company to maintain the company's profitability. having a match above 83% as a whole can be a reference and basic reference that is strong enough for companies that want to maintain the company's profitability itself. In addition to maintaining the profitability, this research is expected to be an inspiration for the company in developing support programs for similar research that has a high level of application capability for companies to develop.

3. For investor or future investor

   Prospective investors are expected to be able to analyze the profitability in more detail by using financial ratios that have been tested through this research. Author expecting this study be able to add insight to prospective investors regarding profitability and the factors that influence this, both candidates and investors are expected to understand why certain financial ratios can have an influence on profitability. By understanding this, investors are expected to be careful in observing the movements of companies that will lead to an increase and decrease in the company's financial ratios so investors can be able to predict the increasing and decreasing of the profitability.