TEGUH PURWADI. The Effect of Internal and External Factors on Textile Company Profitability Listed in Indonesia Stock Exchange Year 2005-2011. Under Direction of BONAR M. SINAGA and TRIAS ANDATI.

The textile industry is the potential industry to be developed but the intense competition and high production cost make the performance of Indonesia’s textile declines. It can be seen from the negative profitability of the textile industry. This research aims to analyze the effect of internal and external factors on profitability (Return on Asset) of textile company listed in the Indonesia Stock Exchange year 2005-2011. Internal factors are the total asset turnover and debt level while external factors are inflation, exchange rate, BI rate, and the ASEAN-China Free Trade Area (ACFTA). This study uses descriptive analysis and regression analysis of panel data. Objects of this study are 13 textile companies listed in the Indonesia Stock Exchange during 2005-2011. Descriptive analysis shows that the textile industry has a low profitability and total asset turnover, but a high debt level. While the condition of inflation and exchange rate fluctuate, especially during the global financial crisis but BI rate was relatively stable. The trade performance of textile between Indonesia and China increases, since the ACFTA was declared. Regression analysis of panel data shows that the total asset turnover, debt level and inflation rate have a significant effect on the profitability of the textile industry. This study suggests that the company further improve asset productivity, reduce the debt and calculate the inflation so that it can increase the profitability of the company.

Keywords: Profitability, internal factors, external factors, textiles, panel data.