SUMMARY

JOHAN FIRMANSYAH. The Effect of Working Capital Management on Profitability in Property and Real Estate Companies. Supervised by HERMANTO SIREGAR and FERRY SYARIFUDDIN.

Efficient working capital management is a tool to maintain company business competencies so that companies can increase their profitability. During 2013-2017, the increase in net profit of property companies in Indonesia was accompanied by an increase in the cash conversion cycle and net working capital ratio which indicated that performance was increasing but not in cash flow and management of working capital was not productive. The purpose of the study was to determine the significant effect of working capital management on profitability and which working capital element has the dominant effect.

The sample used in this study were 29 property and real estate sub-sector companies listed on the Indonesia Stock Exchange (BEJ) in 2013 to 2017 which had complete financial statement data and did not have a negative cash conversion cycle value. This study uses a descriptive approach and a panel data regression model using secondary data. Descriptive analysis is used to provide an overview or description of the variables studied, namely working capital management, internal and external variables of property and real estate companies listed on the Stock Exchange during the period 2013 to 2017. While the panel data regression model approach in this study was used to analyze the effect of capital management work, internal and external factors of the company to the profitability of property and real estate companies. Software eviews version 8 is used to analyze the regression model in this study.

The results show that the cash conversion cycle (CCC) has a significant negative effect on OPM, ROA and ROE, current asset to total assets ratio (CATAR) has a significant positive effect on ROA and ROE, current liabilities to total assets ratio (CLTAR) have a positive effect significant to OPM and debts to total asset ratio (DTA) have a significant negative effect on OPM and ROA. While CLTAR has the most dominant effect on OPM because it has the highest estimation coefficient among others and the company is more aggressive in implementing its working capital policy to achieve higher operating profit.

Keywords: working capital management, OPM, profitability, ROA, ROE