IMPACT OF WORKING CAPITAL MANAGEMENT TO PROFITABILITY ON RETAIL TRADE INDUSTRY, STUDY ON RETAIL TRADE COMPANY LISTED ON IDX 2007-2012 PERIOD

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ABSTRACT

This study aims to figure out how the working capital components (account receivable turnover ratio, inventory turnover ratio, account payable turnover ratio and quick ratio) should be managed in retail trade industry by examining the relationship between those components and profitability that is represented by gross profit margin. The analysis is conducted by using regression analysis. Based on the F test result, it can be concluded that the profitability that is represented by gross profit margin is significantly affected by account receivable turnover ratio, inventory turnover ratio, account payable turnover ratio and quick ratio. However, the Hypothesis test result shows that account receivable does not significantly influence the profitability on retail trade industry. In the other side Inventory turnover ratio, account payable ratio and quick ratio significantly influence the profitability on retail trade industry, where inventory turnover ratio forms a negative relationship while the two others form positive relationship. Quick ratio (58.5%) gives the strongest influence on profitability, and then followed by account payable turnover ratio (57.6%), inventory turnover ratio (31.5%) and account receivable ratio (15.5%) respectively.

Keywords: profitability, account receivable turnover ratio, inventory ratio, account payable ratio and quick ratio.

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