

TABLE OF CONTENTS

THESIS DEFENSE STATEMENT	ii
THESIS SUPERVISOR STATEMENT	iii
STATEMENT OF WORK'S ORIGINALITY	iv
ABSTRAKSI	v
ABSTRACT	vi
PREFACE	vii
CHAPTER I	
INTRODUCTION	1
1.1 Research Background	1
1.2 Formulation of the Problem	6
1.3 Research Objectives and Benefits	7
1.3.1 Research Objectives	7
1.3.2 Research Benefits	8
1.4 Systematic Discussions	9
CHAPTER II	
LITERATURE REVIEW	10
2.1 Working Capital	10
2.1.1 Definition	10
2.1.2 Concept of Working Capital	11

2.1.3	The Importance of Working Capital	13
2.1.4	Factors Affecting Working Capital	14
2.1.5	Working Capital Source	15
2.2	Working Capital Management	16
2.3	Cash Conversion Cycle	17
2.3.1	Inventory Conversion Period	18
2.3.2	Average Collection Period	19
2.3.3	Payables Defferal Period	19
2.3.4	Funding Requirements of Cash Conversion Cycle	20
2.3.5	Strategies for Managing Cash Conversion Cycle	21
2.4	Profitability	22
2.4.1	Return on Assets (ROA)	23
2.4.2	Return on Equity (ROE)	24
2.4.3	Gross Operating Profit (GOP)	24
2.5	Relation between Working Capital Management and Profitability	25
2.6	Age of Firm	27
2.7	Size of Firm	27
2.8	Debt to Total Asset Ratio	27
2.9	Firm's Sector in Manufacturing Industry	28
2.10	Previous Researches	28
2.11	Hypothesis Development	32

2.11.1	The Effect of Inventory Conversion Period to Firm's Profitability	32
2.11.2	The Effect of Average Collection Period to Firm's Profitability	33
2.11.3	The Effect of Payables Defferal Period to Firm's Profitability	34
2.11.4	The Effect of Cash Conversion Cycle to Firm's Profitability	34

CHAPTER III

RESEARCH METHODS	36	
3.1	Research Design	36
3.1.1	Purpose of the Study	36
3.1.2	Study Setting	36
3.2	Population and Sampling Method	37
3.3	Operational Definition of Variables	37
3.3.1	Firm's Profitability	38
3.3.2	Cash Conversion Cycle (CCC)	38
3.3.3	Inventory Conversion Period (CONV)	38
3.3.4	Average Collection Period (COLL)	39
3.3.5	Payables Defferal Period (DEFF)	39
3.3.6	Age of Firm (AGE)	39
3.3.7	Size of Firm (SIZE)	39
3.3.8	Debt to Total Asset (DTA)	40
3.3.9	Firm's Sector in Manufacturing Industry	40
3.4	Data Collection Method	40



3.5 Data Analysis 41

3.5.1 Classical Assumption Test 41

3.5.2 Multiple Regression Analysis 42

3.5.3 T-test 43

3.5.4 F-test 44

CHAPTER IV

ANALYSIS AND RESULTS 45

4.1 Research Data 45

4.2 Descriptive Statistics 45

4.3 Result of Classical Assumption Test 47

4.3.1 Result of Normality Test 47

4.3.2 Result of Multicollinearity Test 48

4.3.3 Result of Heterocedasticity Test 51

4.3.4 Result of Autocorrelation Test 52

4.4 Result of Regression Analysis 53

4.4.1 Regression Result without using Dummy for Sector 54

4.4.2 Regression Result using Dummy for Sector 63

4.4.3 Result of Adjusted R² 72

4.5 Discussion of the Result 75

4.5.1 The Effect of Inventory Conversion Period on Firm's Profitability 75

4.5.2 The Effect of Average Collection Period on Firm's Profitability 76

4.5.3	The Effect of Payables Defferal Period on Firm's Profitability	77
4.5.4	The Effect of Cash Conversion Cycle on Firm's Profitability	78

CHAPTER V

CONCLUSIONS AND SUGGESTIONS 80

5.1 Conclusions 80

5.2 Suggestions 82

REFERENCES 83

APPENDIX 1 85