ABSTRACT

THE EFFECT OF WORKING CAPITAL TURN OVER AND LIQUIDITY ON PROFITABILITY IN PHARMACEUTICAL COMPANIES LISTED ON INDONESIA STOCKS EXCHANGE

The objectives of this research is to know the influence of independent variables capital working turnover, liquidity, either partially or simultaneously toward profitability in pharmaceutical firm on Indonesia Stocks Exchange during 2007 to 2011.

This research uses quantitative approach with causal type, with 9 pharmaceutical firms listed in Indonesia Stocks Exchange, so that got 45 samples. The sample selection using purposive sampling method. This research utilizes external data, those are taken from the website [www.idx.co.id](http://www.idx.co.id). Data which have already collected are processed with classic assumption test before hypothesis test. The statistic method that’s used in multiple regression analyze.

The result of the research shows that the management of working capital partially has negative influence and significant to profitability and it can see from t-value < t-table (0.394 < 2.0141) with significancy 0.696 bigger than 0.05. Current ratio (CR) is influence and significant to profitability, and it can see from t-value > t-table (4.343 > 2.0141) with significancy 0.000 < 0.05. The result of f-test shows that f-value < f-table (19.130 > 2.449) with significancy 0.000 < 0.05. From the result of f-test we can conclude that management of working capital and liquidity is influence to profitability.

Keywords: working capital turnover, current ratio and return on asset.