ABSTRACT

Consumer goods industry is one of the most important industries in Indonesia as it offers human basic needs. However, the companies have to cope with fluctuations in business environment. The challenge for each company is to manage the right amount of working capital to increase efficiency and effectiveness. The objective of this thesis is to investigate whether sales, leverage and firm size are the determinants of working capital management in consumer goods companies. This thesis uses Net Liquid Balance (NLB) and Working Capital Requirement (WCR) as indicators of working capital management. In order to test the applicability of theories in this thesis, determinants of working capital in Indonesia and other countries will be compared.

This thesis is a basic research in which several hypotheses will be tested in the sampled companies by using descriptive statistics, correlational analysis, and multiple regression analysis. The writer will conduct an additional literature study in libraries, internet and Jakarta Stock Exchange databases.

The findings indicate that Net Liquid Balance will rise in times of increased sales, and decreased firm size. On the other hand, Working Capital Requirements will rise in times of decreased sales, and expanded firm size. Firm size relationship towards NLB is significant in both Indonesia and Taiwan. It is recommended that companies manage their working capital according to their goals, objectives, global environment, product life cycle, sales season as well as determinants of working capital management.

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Jakarta, 20 July 2007

The Author
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