ABSTRACT

Property and real estate in Indonesia is one of the most potential industries given houses are one of the primary human needs. Its potential still attracts investors in the upcoming years. Financial ratios are useful for analyzing, monitoring, planning or starting point for improving the performance of the company in the future as well as provide information for investors in consideration of decision making. This research aims to determine convergence (adjustment) of financial ratios, mainly current ratio, quick ratio, debt-to-equity ratio, inventory turnover ratio, and total assets turnover, in property and real estate companies. The method used in this research is panel data regression, combined with Partial Adjustment Model introduced by Lev (1969). Hypothesis in this research is tested by comparing the value of t-test and t-table. The result indicates the existence of convergence in four financial ratios tested; current ratio, quick ratio, debt-to-equity ratio, and total assets turnover. For inventory turnover ratio, the convergence does not exist. The direction of adjustments is made with different directions; positive for current ratio and total assets turnover ratio, and negative for quick ratio and debt-to-equity ratio. For the speed, the adjustment is relatively fast with the fastest ratio to adjust is total assets turnover (β=0.819647) and the slowest ratio to adjust is quick ratio (β=0.503138).

Keywords: Convergence; financial ratios; partial adjustment model; property; real estate; Indonesia.