

ABSTRACT

The agricultural sector is one of sectors that have strategic role in national economic development. The contribution of agricultural sector in national economy will have an impact on investor investment. Financial performance becomes one factor to measure the condition of company and the tools that can be used to analyze company's performance by using financial ratios. Financial ratio analysis aims to provide information on making investment decisions. This study aims to determine the convergence, direction and speed of financial ratios adjustment in agricultural sector companies that listed on Indonesia Stock Exchange in 2011-2016. The financial ratios that used in this research are current ratio, quick ratio, total debt to equity ratio, sales to inventory ratio and sales to total assets ratio. Then, the method that used in this research is single regression analysis that combined with partial adjustment model. The results showed there are four financial ratios: current ratio, quick ratio, total debt to equity ratio and sales to inventory ratio that convergence with industry. The direction adjustment (α) of current ratio, quick ratio, total debt to equity ratio, sales to inventory ratio and sales to total assets ratio indicate convergence that goes above the average of the agricultural sector. Then, for the speed adjustment (β) of current ratio, quick ratio, total debt to equity ratio, sales to inventory ratio and sales to total assets ratio have value nearer 0. So, the speed adjustment to average of financial ratio industry is slow.

Keywords: convergence, financial ratio, partial adjustment model, agricultural sector