ABSTRACT

This study aims to find out the significant effect of variables inventory turnover ratio and debt to profitability ratio. Inventories are current assets that have an important role in determining profits. To measure the effectiveness of inventory management is to use inventory turnover. And just as the debt ratio as measured by debt to asset ratio, which if managed properly, the company's assets are financed by debt, it will affect the profitability increase.

This study aimed to examine the effect of simultaneously and partially Inventory Turnover (ITO) and the ratio of debt measured by debt to asset ratio (DAR) to profitability proxied by Return on Assets (ROA) in the sub company of the cement sector listed in Indonesia Stock Exchange period 2011-2016.

The population in this study is a sub company cement sector listed in Indonesia Stock Exchange. Sample selection technique used is purposive sampling and obtained five cement companies sub-sector with a period of study in 2011-2016. Data analysis method in this research is panel data regression analysis by using software Eviews version 9.

The results shows that ITO has effects on the ROA of 1.46% and ROA variables has affects DAR by -51.40%. Based on the results, simultaneously Inventory Turnover Ratio and Debt has significant effects on profitability. And the results of partially shows that Inventory Turnover has significant positive effect on the profitability and debt ratio has significant negative effect on profitability.

Based on these results, if the company wants to increase the ROA, the company should be utilizing the loan to fund the company's assets effectively, it will make a lower debt ratio and increase profits from the ROA through.

Keywords: *inventory turnover, debt ratio, debt to asset aatio (DAR), profitability, return on assets (ROA)*