

*The Analysis of Relationship Between Profitability
Ratios of Finance Companies with Economic Indicators
and Market Interest Rates.*

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ABSTRACT

Finance companies as other business enterprise have a corporate planning process described to achieve profit objectives from different aspect of their activities. All those activities are subject to change with the market interest rates and economic performance of the country. The fluctuation in the market interest rates and economic performance will lead to uncertainty in return for finance companies.

This study examines the relationship between profitability ratios of finance companies with economic indicators and market interest rates. The result indicates that profitability ratios components i.e Return on Asset (ROA), Return on Equity (ROE), Spread and Equity-capital do have relationship with economic indicators and market interest rates but their relationship is not significant. However economic indicators and interest rates do not contribute much information in explaining the variation of profitability ratios of finance companies. In addition economic indicators and interest rates do not have great impact on the variation of profitability ratios used in this study.