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## CAFTA (CHINA-ASEAN FREE TRADE AGREEMENT) AND FINANCIAL PERFORMANCE OF MANUFACTURING COMPANY IN INDONESIA

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### ABSTRACT

The existence of CAFTA- China-ASEAN Free Trade Agreement has put manufacturing companies into a wider competition with other countries. These companies are now also facing fierce competition with the others. This change has influenced financial performance of companies in Indonesia such as industry of textile, garment, chemical, and electronics. If the domestic companies could cope with the flow of other mass products from China, the companies could be considered having enough competitiveness and are ready to have other free trade with other regions. This study was intended to analyze the impact of CAFTA on the manufacturing companies especially in the industry of textile, garment, chemical, and electronics. This was conducted by employing financial performance assessment (sales, net profit margin, debt to equity ratio, and return on equity) at pre-CAFTA and post-CAFTA. Besides this assessment was aimed to analyze the sales variable, net profit margin, and DER in their impact towards ROE. The population was all go public manufacturing companies classified in the industry of textile, garment, chemical, and electronics that have published their financial reports in 2009 and 2010. To assess the hypothesis, paired samples t test, t assessment, F assessment, and Chow assessment were employed. Based on the paired sample t test, differences were found on sales at pre-CAFTA and post-CAFTA. However, the variable of NPM, DER, and ROE had no difference. Meanwhile, in the impact test, it was shown that the condition before CAFTA, three independent variables did not impact on ROE either partially or simultaneously. However, the condition after CAFTA, the variable of NPM and DER significantly influenced ROE, and the other three variables gave significant impact.

**Keywords:** CAFTA, Net Sales, NPM, DER, dan ROE