THE INFLUENCE OF CAPITAL STRUCTURE TO THE FIRM PERFORMANCE OF MANUFACTURING INDUSTRY PUBLIC COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

UNDERGRADUATE THESIS

Submitted as one of the requirements to obtain
Sarjana Manajemen (S.M.)

By:

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FACULTY OF BUSINESS

MANAGEMENT STUDY PROGRAM

CIKARANG

JANUARY, 2023

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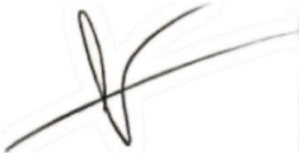

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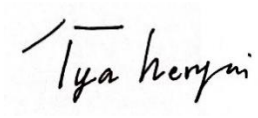

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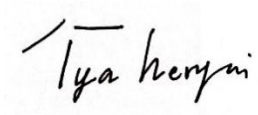

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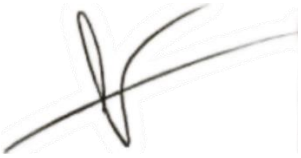

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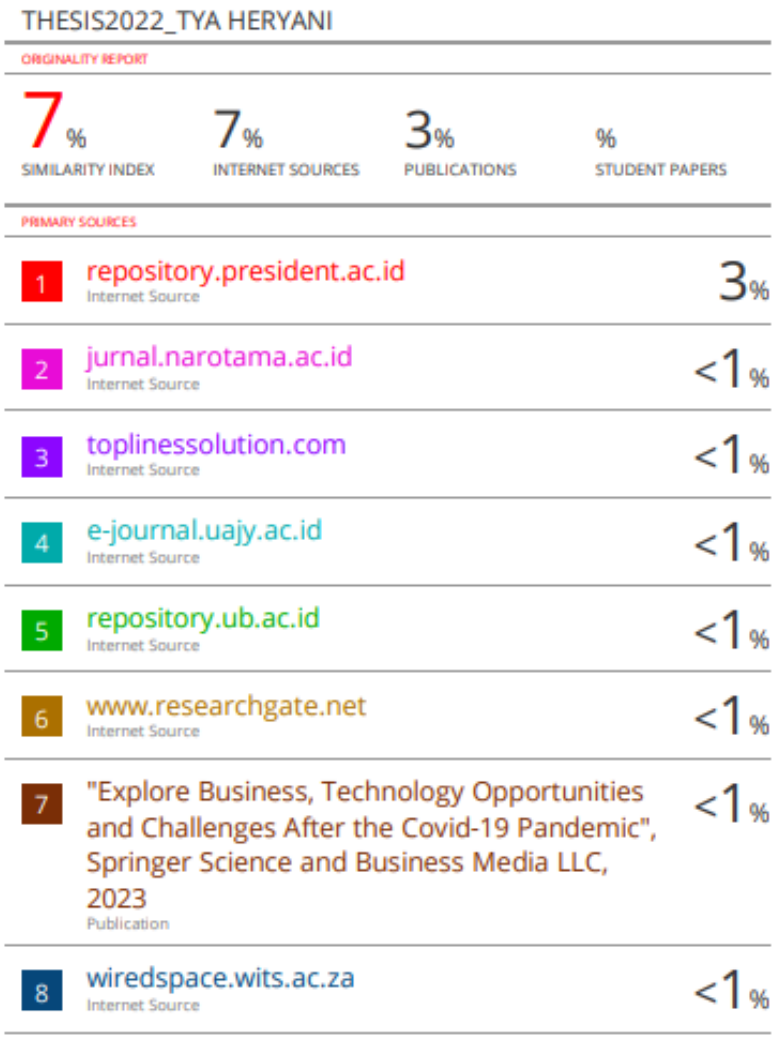

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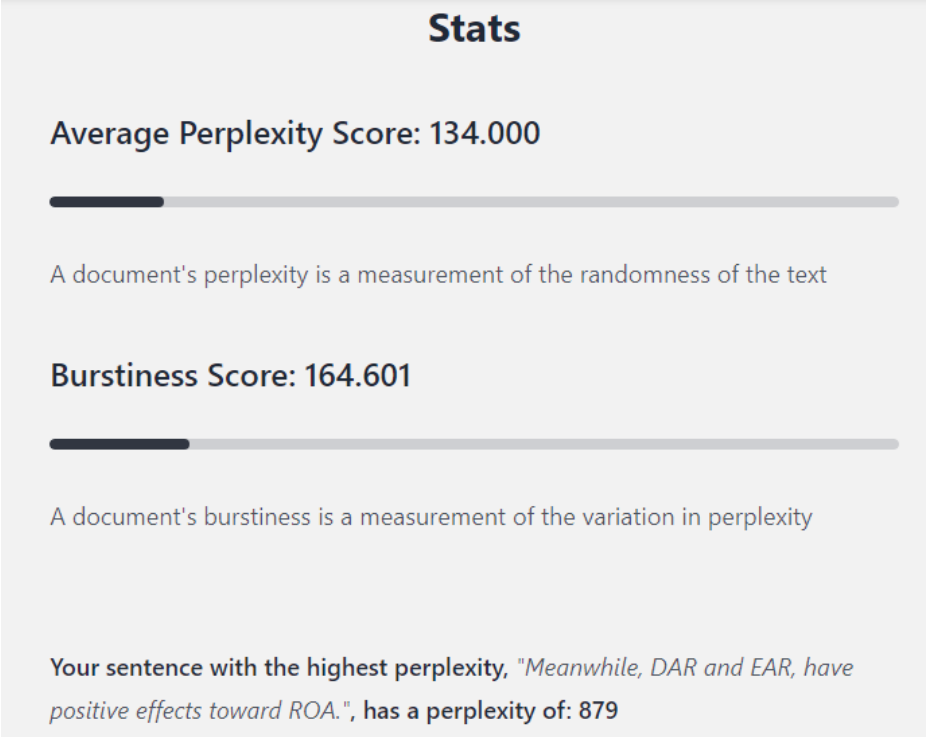

ABSTRACT

This research purposed to examine the influence of capital structure to the firm performance of Manufacturing Companies registered in the IDX. The population amounted to all 238 companies in September, 2021. Moreover, the sample used is 24 companies from 14 sub-sectors for the period of 2014 to 2021 with 192 total observation data. Quantitative technique is applied as the method; the data being used is secondary data which gathered from IDX and each company's website. There are four independent variables namely DAR, DER, LDCE, EAR, and two controlling variables namely AGE and TANG will be tested in order to generate evidence whether those variables have relationships toward the ROA as dependent variable. This research aimed to discover the results of descriptive statistics analysis, classical assumption test, panel data regression model, and multiple regression analysis. Furthermore, the hypotheses will be tested using T-test to find the partial influences, and F-test to find the simultaneous influences of independent and controlling variables toward dependent variable. Among independent variables, DER, LDCE, AGE, and TANG have negative influences toward ROA. Meanwhile, DAR and EAR, have positive effects toward ROA. Furthermore, all variables have weakly explained ROA which amounted to 24.42 percent.

Keywords: *Capital structure, firm performance, dependent variable, independent variables, controlling variables*

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Praise and thanksgiving to God Almighty for His favor and grace, which enabled me to successfully finish the thesis titled “THE INFLUENCE OF CAPITAL STRUCTURE TO THE FIRM PERFORMANCE OF MANUFACTURING INDUSTRY PUBLIC COMPANIES LISTED IN INDONESIA STOCK EXCHANGE.”

In order to completing this tenth semester, the thesis should be prepared and submitted. This thesis is submitted to the School of Business, President University in partial fulfillment of the requirements for the Degree in Management Science, which created in order to discuss and explain about the core problems, theories, and finding results. The author is aware that without the assistance, support, direction, and advice from numerous parties during the creation of this final report, it should not have been possible to complete it. The author would like to express thank you and appreciation for all parties involved as follows:

1. My parents who were care about my health during the process of creating this thesis. They contributed in reminding me to always have eat properly and take some rests.
2. Dr. Drs. Chandra Setiawan, M.M., PhD as my thesis adviser who provided guidance about the thesis report, and provided feedbacks as well.
3. Mr. Ato Daryanto’s family who was supported me by providing anything necessary until this thesis finished.

It is indeed highly probable that there are still a number of mistakes in this thesis that need to be fixed. This thesis is intended to provide readers with new information and perspective.

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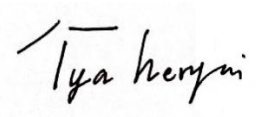

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LIST OF ACRONYMS

GDP: Gross Domestic Products

PMI: Prompt Manufacturing Index

PMI-BI: Prompt Manufacturing Index of Bank Indonesia

EPS: Earnings per share

R&D: Research & Development

ROA: Return on assets ratio

DAR: Debt to total assets ratio

DER: Debt-to-equity ratio

LDCE: Long-term debt to total capital employed ratio

EAR: Equity to total assets ratio

AGE: Firm Age

TANG: Firm Tangibility

IDX: Indonesia Stock Exchange

IDR: Indonesia Rupiah Currency

OTC: Over-the-counter

IPO: Initial Public Offering

CI: Confidence Intervals

STD/TA: Short-term debt to total assets ratio

LTD/TA: Long-term debt to total assets ratio

NSE: Nigerian Stock Exchange

STD: Short-term debt

LTD: Long-term debt

TD: Total Debt

CSE: Colombo Stock Exchange

SPSS: Statistical Package for the Social Sciences

PDF: Portable Document Format