



**DETERMINANTS OF FIRM'S CAPITAL STRUCTURE IN
INDONESIA'S CONSTRUCTION INDUSTRY WITH AGE
AND FIRM SIZE AS CONTROL VARIABLE**

THESIS

Submitted as one of the requirements to obtain

Magister Manajemen

By:

Hana Septa Debora

023202205013

FACULTY OF BUSINESS

MASTER OF TECHNOLOGY MANAGEMENT

CIKARANG

OCTOBER 2023



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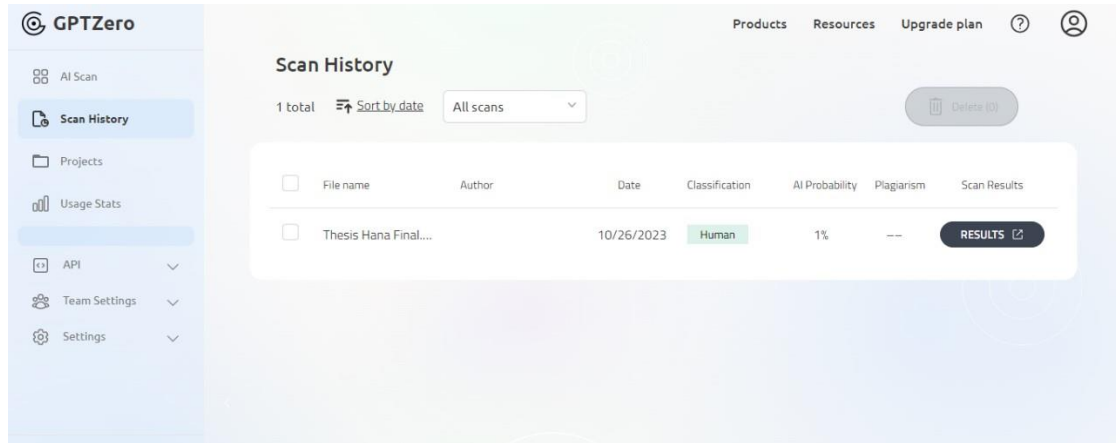
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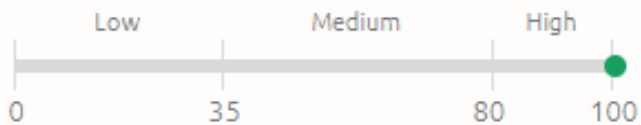
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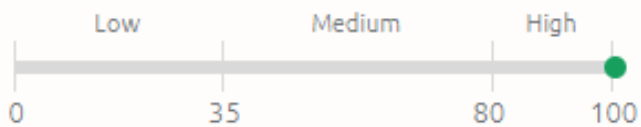
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ABSTRACT

The capital structure of companies holds paramount significance, exerting a profound impact on their financial health. In particular, companies grappling with substantial debt loads may find themselves burdened and constrained. This study endeavors to scrutinize the influence of various factors, including profitability, growth, non-debt tax shield, and asset tangibility, on capital structure. Additionally, this research incorporates firm age and size as control variables to account for potential variations. A purposive sampling method was employed, encompassing a sample of 21 companies within the construction sector, spanning both infrastructure and property, and real estate domains, listed on the Indonesia Stock Exchange during the period from 2013 to 2022. To conduct our analysis, we utilized STATA for both descriptive statistical examination and panel data regression analysis. Our findings reveal that profitability and asset tangibility exhibit a negative correlation with capital structure, suggesting that firms with higher profitability and more tangible assets tend to employ lower leverage. Conversely, growth displays a positive relationship with capital structure, indicating that expanding firms may utilize higher leverage to fund their growth initiatives. Furthermore, our analysis reveals that the impact of non-debt tax shields on capital structure is insignificant. The study also carefully controlled for variations in the debt-to-equity ratio attributable to the age and size of the companies. The outcomes of this research contribute valuable insights to the field of financial management, facilitating a deeper understanding of the determinants of capital structure in the context of construction companies in Indonesia. These findings have the potential to assist practitioners and policymakers in making informed decisions related to capital structure, ultimately aiding in the resolution of contemporary financial challenges.

Keywords: Capital structure, Profitability, Growth, Non-debt tax shield, Asset intangibility, Age and Size firm.

ABSTRAK

Struktur permodalan suatu perusahaan mempunyai arti yang sangat penting karena mempunyai dampak besar terhadap kesehatan keuangannya. Secara khusus, perusahaan yang bergulat dengan beban utang yang besar mungkin merasa terbebani dan terkekang. Studi ini berupaya untuk meneliti pengaruh berbagai faktor, termasuk profitabilitas, pertumbuhan, perlindungan pajak non-utang, dan tangibilitas aset, terhadap struktur modal. Selain itu, penelitian ini juga memasukkan usia dan ukuran perusahaan sebagai variabel kontrol untuk memperhitungkan potensi variasi. Metode yang digunakan adalah purposive sampling, dengan mengambil sampel sebanyak 21 perusahaan di sektor konstruksi, baik di bidang infrastruktur, properti, maupun real estate, yang terdaftar di Bursa Efek Indonesia selama periode 2013 hingga 2022. Untuk melakukan analisis, kami menggunakan STATA untuk pengujian statistik deskriptif dan analisis regresi data panel. Temuan kami menunjukkan bahwa profitabilitas dan wujud aset menunjukkan korelasi negatif dengan struktur modal, menunjukkan bahwa perusahaan dengan profitabilitas lebih tinggi dan aset lebih berwujud cenderung menggunakan leverage yang lebih rendah. Sebaliknya, pertumbuhan menunjukkan hubungan positif dengan struktur modal, yang menunjukkan bahwa perusahaan yang sedang berkembang mungkin memanfaatkan leverage yang lebih tinggi untuk mendanai inisiatif pertumbuhan mereka. Selain itu, analisis kami menunjukkan bahwa dampak perlindungan pajak non-utang terhadap struktur modal tidak signifikan. Studi ini juga secara hati-hati mengontrol variasi rasio utang terhadap ekuitas yang disebabkan oleh usia dan ukuran perusahaan. Hasil penelitian ini memberikan kontribusi wawasan berharga dibidang manajemen keuangan, memfasilitasi pemahaman yang lebih mendalam tentang faktor-faktor penentu struktur modal dalam konteks perusahaan konstruksi di Indonesia. Temuan-temuan ini mempunyai potensi untuk membantu para praktisi dan pembuat kebijakan dalam membuat keputusan yang tepat terkait dengan struktur modal, yang pada akhirnya membantu penyelesaian tantangan keuangan kontemporer.

Kata kunci: Struktur modal, profitabilitas, perkembangan, perlindungan pajak non hutang, keberwujudan aset, usia dan besar perusahaan.

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LIST OF ABBREVIATIONS

1. DER : Debt to equity ratio
2. ROA : Return on assets
3. NDTs : Non-debt tax shield
4. AT : Asset tangibility