

ABSTRACT

Capital Structure and Firm Performance: an Analysis of Manufacturing Firms in Indonesia

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Capital Structure is one of the most important issues for firms in order to achieve better financial and market performance. The study aimed to determine the effect of capital structure to the firm performance. This study used short-term debt (STD) and long-term debt (LTD) as proxies of financial leverage (independent variables). And use four firm performance measures are return on asset (ROA), return on equity (ROE), earning per share (EPS), and Tobin's q (dependent variables). And then growth rate, size were used as control variables.

Population in this study includes all manufacturing firms listed in Indonesian Stock Exchange (IDX) over the period of 2013-2016. Selection of the sample is done with purposive sampling method. This research used secondary data have published at www.idx.co.id look like annual report and financial report. Obtain the sample as much 30 companies from 145 manufacturing companies. Multiple regression used for method of analysis on this research.

Result of this research showed that short-term debt to total asset (STD/TA) have not significant positive effect with ROA, but significant positive effect with ROE, and Tobin's q. Besides, the researchers found that STD/TA significant negative effect with EPS. And then long-term debt to total asset (LTD/TA) have not significant positive effect with ROE, but have significant negative with ROA, EPS and Tobin's q.

Keywords: *Capital Structure, Firms Performance, Return on Asset, Return on Equity, Earning per Share, Tobin's q*