

**THE IMPACT OF CAPITAL STRUCTURE ON FINANCIAL
PERFORMANCE OF THE LISTED AGRICULTURE
COMPANIES IN INDONESIA**

By

Kauri Dwitya Noor

13411087

BACHELOR'S DEGREE

in

ACCOUNTING

FACULTY OF BUSINESS ADMINISTRATION & HUMANITIES



SWISS GERMAN UNIVERSITY

SWISS GERMAN UNIVERSITY

EduTown BSD City

Tangerang 15339

Indonesia

August 2015

Revision after the Thesis Defense on August 5, 2015

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

Kauri Dwitya Noor

Student

Date

Approved by:

Imelda Suardi, SE, MAcc

Thesis Advisor

Date

Prof. Eric Jos Nasution MBA, MA, PhD

Dean

Date

ABSTRACT

THE IMPACT OF CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE OF THE LISTED AGRICULTURE COMPANIES IN INDONESIA

By

Kauri Dwitya Noor

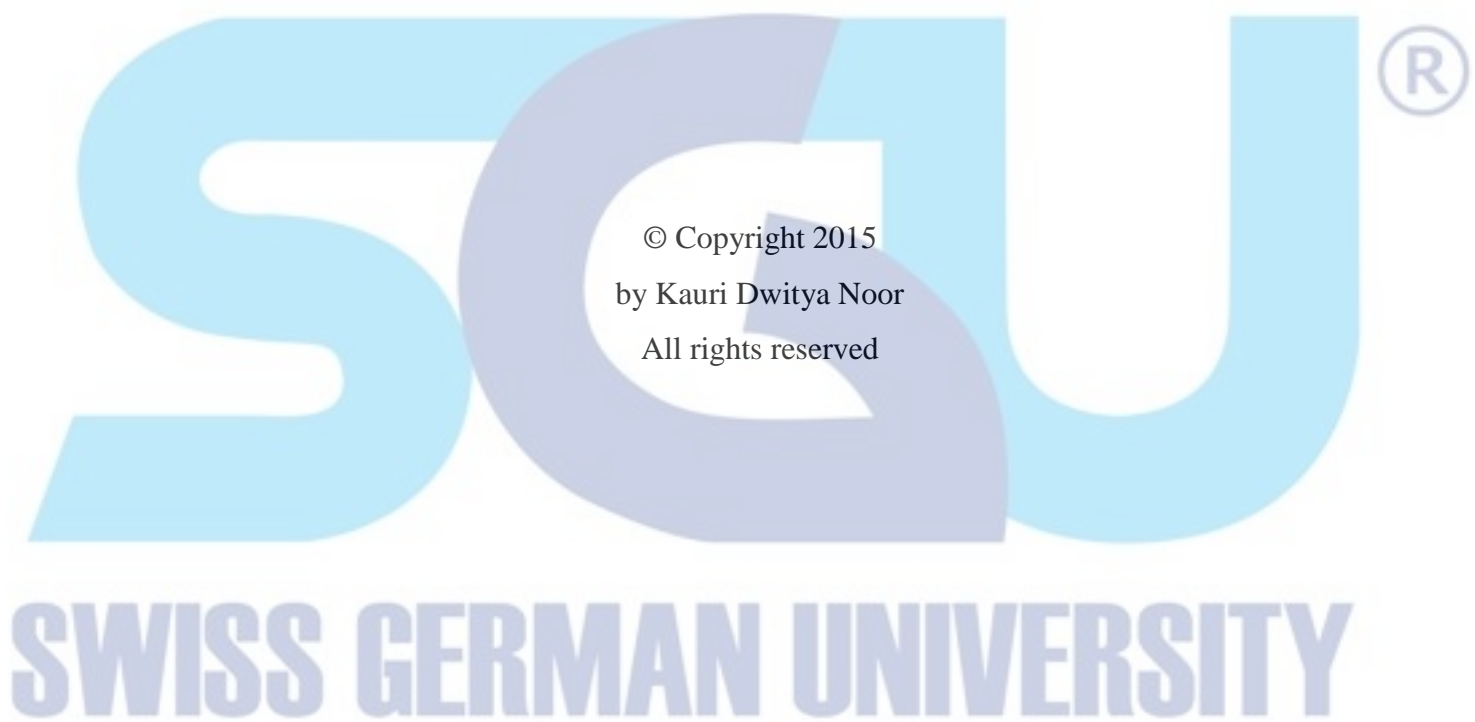
Imelda Suardi, SE, MAcc, Advisor

SWISS GERMAN UNIVERSITY

This thesis analyzes the impact of capital structure on financial performance of the agriculture companies listed in Indonesia Stock Exchange. In addition, this thesis also analyzes which one between equity and asset that is able to cover the firm's debt. The time scope of this thesis is taken from 2010 until 2014 with 16 agricultural companies listed in Indonesia Stock Exchange as the samples. The independent variable in this thesis is capital structure that is measured by Debt Equity Ratio and Debt Asset Ratio. The dependent variable is financial performance that is measured by GPM, NPM, ROA, ROE, and EPS. The methodology used in this thesis is multiple regression and the data is processed by using SPSS.

The result from this thesis shows that Debt Equity Ratio, which is one of the indicators of capital structure, has a significant impact and a negative relationship with ROE. This study also finds that rather than the company's land, machinery & equipment contributes more significantly towards the company's total assets.

Keywords: Capital Structure, Financial Performance, Agricultural Company, Profitability Ratios



ACKNOWLEDGEMENTS

First of all, I would like to thank Allah SWT for His wonderful blessings and strengths during the making of this thesis that finally this thesis can be finished on time.

Endless thanks to my advisor, Ms. Imelda Suardi, for her guidance, advices, and patience during the process of this thesis. Without her help and support this thesis would have not been completed.

My parents, sister, and brother, who have always been there for me, thank you for always believing in me and encouraging me to do my best.

All the accounting lecturers, Mr. Indra Pratama, Mr. Yosman Bustaman, Ms. Liana Rahardja, Ms. Neneng Djueriaah, Mr. Nurdayadi, Mr. Bobby Wiryawan, and other unmentioned lecturers thank you for the support, patience, and teaching me many valuable knowledge.

Last but not least, Swiss German University Accounting Batch 2011, I also would like to say thank you to all of you. Thank you for all the moments, both ups and downs. Without all of you I will not make it through these 4 years.

TABLE OF CONTENTS

	Page
STATEMENT BY THE AUTHOR	2
ABSTRACT	3
ACKNOWLEDGEMENTS.....	5
TABLE OF CONTENTS	6
LIST OF FIGURES	9
LIST OF TABLES.....	10
CHAPTER 1 - INTRODUCTION	12
1.1 Background.....	12
1.2 Research Problem	14
1.3 Research Objectives.....	15
1.4 Research Question	15
1.5 Significant of Study	15
1.6 Scope and Limitation.....	16
1.7 Thesis structure	16
CHAPTER 2 - LITERATURE REVIEW.....	17
2.1 General Theories.....	17
2.1.1 Capital Structure.....	17
2.1.1.1 Debt.....	18
2.1.1.2 Equity	19
2.1.1.3 Asset.....	20
2.1.1.4 Modigliani-Miller Theory	21
2.1.1.5 Static Trade-off Theory.....	21
2.1.1.6 Pecking Order Theory	22
2.1.1.7 Agency Costs Theory.....	22
2.1.2 Financial Leverage	23
2.1.2.1 Debt Equity Ratio.....	23
2.1.2.2 Long-term Debt Ratio	24
2.1.2.3 Debt Asset Ratio	25

2.1.2.4 Times-Interest-Earned Ratio	25
2.1.2.5 Cash Coverage Ratio.....	26
2.1.3 Financial Performance	26
2.1.3.1 Profitability Ratios	27
2.1.3.1.1 Gross Profit Margin (GPM)	27
2.1.3.1.2 Net Profit Margin (NPM).....	27
2.1.3.1.3 Operating Profit.....	28
2.1.3.1.4 Profit before Tax (PBT)	28
2.1.3.1.5 Return on Capital Employed (ROCE) / Return on Investment (ROI)	29
2.1.3.1.6 Capital Turnover	29
2.1.3.1.7 Asset Turnover	30
2.1.3.1.8 Price-Earnings Ratio	30
2.1.3.1.9 Payout Ratio	31
2.1.3.1.10 Return on Asset (ROA).....	31
2.1.3.1.11 Return on Equity (ROE).....	32
2.1.3.1.12 Earnings per Share (EPS).....	32
2.2 Summary of Previous Studies.....	33
2.2.1 Difference from Previous Studies	41
2.3 Theoretical Framework.....	42
CHAPTER 3 - RESEARCH METHODS.....	43
3.1 Population and Sampling.....	43
3.2 Data Sources and Collection.....	46
3.3 Research Model	46
3.4 Method of Data Analysis	47
3.4.1 Regression Analysis	47
3.4.2 Normality Test.....	48
3.4.3 Multicollinearity	48
3.4.4 Autocorrelation.....	48
3.4.5 Heteroscedasticity.....	48
3.4.6 Ratio Analysis	48
3.5 Hypothesis	49

CHAPTER 4 - RESULT AND DISCUSSION	51
4.1 Statistical Descriptive	51
4.2 Result and Analysis	59
4.2.1 Ratio Analysis Table	59
4.2.2 Average Chart Analysis	62
4.2.2.1 General Chart	63
4.2.2.2 Chart by Subsectors.....	65
4.2.2.3 Chart by Companies	69
4.2.3 Classical Assumption Test	75
4.2.3.1 Normality Test	76
4.2.3.2 Multicollinearity Test.....	76
4.2.3.3 Autocorrelation	77
4.2.3.4 Heteroscedasticity and Homoscedasticity Test.....	78
4.2.4 Hypothesis Testing	78
4.2.4.1 Hypothesis One	79
4.2.4.2 Hypothesis Two	85
CHAPTER 5 - CONCLUSION AND RECOMMENDATION.....	89
5.1 Conclusion	89
5.2 Recommendation	90
GLOSSARY	91
REFERENCES	92
APPENDICES	98
1 Durbin Watson Table.....	98
2 Normality Test	99
3 Multicollinearity Test	99
4 Autocorrelation	100
5 Heteroscedasticity and Homoscedasticity Test	101
CURRICULUM VITAE.....	105