UNIVERSITAS INTERNASIONAL BATAM

ANALYZE THE IMPACT OF CAPITAL STRUCTURE AND CASH HOLDINGS ON FIRM VALUE OF COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

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Abstract

This research discusses the influence of capital structure and cash holdings on firm's value. The objects are companies listed on IDX or Indonesia Stock Exchange in 2013 until 2017. For the sample, this research uses 1.600 samples of data that have been selected based on the purposive sampling method.

In this research, there are two testing models. The first model is measured by a capital structure that uses two variables namely long-term debt ratio and short-term debt ratio, market value of equity, capital expenditures, fixed assets, selling, general and administrative expenses, net operating revenue and dividend yield ratio. While the second model is measured by the ratio of long-term debt, the ratio of short-term debt, cash holdings, capital expenditures, net operating revenue and return on invested capital.

The results on the first model are the ratio of short-term debt, long-term debt ratio, fixed assets and net operating revenue have a significant negative effect on cash holdings while the market value of equity, capital expenditures and dividend yield ratio have a significant positive effect on cash holdings and the last is selling, general and administrative expenses where the test results from this study state that these variables does not have a significant effect on cash holdings.

Furthermore, the results of the second model research are cash holdings, capital expenditures, net operating revenue and return on invested capital have a significant positive on firm value while the short-term debt ratio have a significant negative on firm value and the long-term debt ratio have no effect on firm value.

Keywords: *capital structure, cash holdings, firm value.*