CHAPTER V

CONCLUSION AND IMPLICATION

A. Conclusion

Based on the results on this research and discussion, this research is summarized as follows:

1. Short-term debt to assets ratio has a negative effect on financial performance.
2. Long-term debt to assets ratio has a positive effect on financial performance.
3. Debt to equity ratio has a negative effect on financial performance.
4. Working capital does not have a significant effect on financial performance.
5. Agency costs moderates the effect of short-term debt to assets ratio on financial performance.
6. Agency costs moderates the effect of long-term debt to assets ratio on financial performance.
7. Agency costs moderates the effect of debt to equity ratio on financial performance.

B. Implication

1. Managerial Implication

Based on the research, construction companies have to take a closer look for their capital structure mix in order to gain an optimum output. According to the results, it is necessary for managers to make an optimum debt by using long-term debt, since it is affect positively to the company's performance. Managers also should lowering the usages of short-term debt, since according to the research result it has a negative effect on financial performance. In the same time, managers also should consider about how many debts are compared to the shareholders' equity, because according to the research results, debt to equity ratio have a negative effect on company's financial performance, it means that the managers should not using debts way too high compared to the shareholders' equity.

According to the results, the company's working capital does not have any effect on the company's financial performance. It means that the ability of company to generate revenue within short or long time does not really helps the managers to control the company's profitability. Agency costs as the moderating variables, successfully shows a significant results in moderating the effect of short-term debt to assets ratio, long-term debt to assets ratio, and debt to equity ratio. In moderating short-term debt and long-term debt, the agency costs weakening the effect of both variables on company's financial performance. While in the effect of debt to equity ratio on financial performance, the agency costs are strengthen its effect. It means that the agency costs would lower the company's ability to generate profitability.

2. **Theoretical Implication**

This research can be used to develop a future research about the effect of capital structure towards company's financial performance and moderated with agency costs. For further research, researcher suggest to change the means of short-term debt and working capital measurement.

C. Research Limitation and Suggestion

There are limitations and suggestions on this research the researcher have been identify, they are:

1. Researcher planned to conduct the study of construction companies with the number of 24, but due to the unavailability of data needed to conduct the research, the total companies used to do the research goes down to only 16 companies. Moreover, from 16 companies, researcher found that 5 of the companies have an abnormal data, so they need to be eliminated, so the total final construction companies used in this research as sample are only 11 companies with 5 years fiscal period. So the samples obtained for this research might be too low, and it is better to obtain more samples in the future research, by lengthening the fiscal period or using another companies sector to obtain more samples.
2. The working capital management shows no effect on company's financial performance, it is more likely due to the small number of samples or the way of measuring the variable. So, the researcher

suggest to add more samples or change the way of measurement of the variable for the future research.