

CHAPTER V

CONCLUSION AND IMPLICATION

A. Conclusion

1. Profitability has negative and significant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.
2. Firm size has positive and significant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.
3. Assets growth has negative and insignificant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.
4. Assets structure has positive and insignificant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.
5. Institutional ownership has negative and insignificant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.
6. Liquidity has negative and significant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.
7. Non-debt tax shield has negative and significant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.

8. Operating leverage has positive and significant effects on capital structure of trade, services and investment companies listed on Indonesia Stock Exchange.

B. Implication

As an effort to achieve the optimal capital structure, management of Trade, Services and Investment companies listed on Indonesia Stock Exchange must pay attention to the factors that determine the optimal combination between debt and equity, such as profitability, firm size, liquidity, non-debt tax shield and operating leverage policies. The ways can be done by improving the efficiency of their business operations, give more attention to capital that consists of long term liabilities are considered from shareholders and third-party funds efficiently, improve the company's ability to invest the company's total asset appropriately and adequately to create the high level of sales in order to increase the firm's profitability and liquidity continuously.

Additionally, this study further recommends that an optimum capital structure that will support the growth of company should be concerned by managers of trade, services, and investment companies listed on Indonesia Stock Exchange since excessive borrowing can lead to the financial distress and bankruptcy. Furthermore, also recommends that investors given suggestions by the research findings to focus on variables or factors such as return on asset (ROA), liquidity and non-debt tax shield that have a more significant impact on capital gains, investment growth, and dividend. The author recommends the investor who wants to choose securities should consider the level of return on asset, liquidity, and non-

debt tax shield of the company because the higher return on asset, liquidity or non-debt tax shield of the company could lead to the higher return on the securities issued by the company. With reducing level of debt in their capital structure the firms will have low cost of debt, so the firms will have good financial condition.

C. Limitation and Suggestion

There are several limitations of this study, firstly to the research hypotheses that have been made before, this study failed to prove the significant effect of assets growth, assets structure as well as institutional ownership on capital structure. Secondly, this study is only able to explain the direct effect of profitability, firm size, assets growth, assets structure, institutional ownership, liquidity, non-debt tax shield and operating leverage on capital structure. Furthermore, this research subject is limited to Trade, Services and investment Companies listed on Indonesia Stock Exchange.

Referring to the several limitations of this research, further researches can expand the studies by using the other independent variables or add the mediator or moderator variables. Additionally, further research needs to consider using the other technique of data analysis, such as path analysis, Partial Least Square (PLS) and Structural Equation Modeling (SEM) analysis.