

ABSTRACT

Determinant of Foreign Debt & Local Debt and Their Effect toward Stock Return and Firm's Risk of Public Company In Indonesia

Foreign debts in capital structure have significant differences with the local debt. Foreign debt has lower interest rate than local debt for companies in Indonesia. However the foreign debts also have higher risk because the additional of foreign exchange rate risk. The purposes of this research are to analyze and to test factors influenced the foreign currency debt and local currency debt, to analyze and to confirm whether the separation of foreign currency debt and local debt influence stock return and risk of companies listing in the BEJ Jakarta, and to analyze and to test the correlation between foreign debt and local debt.

The number of companies in this research are 50 companies listing in Indonesia and the time series data is from year 1995 to 2004. Path analysis and Amos are used to analyse the data.

The company size is the only variable that influences positively significant to local debt. Operating margin, capital expenditure, tangible asset, foreign sales and foreign cash influence negatively significant to the local debt. While market to book ratio and foreign equity do not significantly influence the local debt.

Foreign sales is the only variable that influences positively significant to the foreign debt. While operating margin, company size, capital expenditure, and real asset influence negatively significant to the foreign debt. However, market to book ratio, foreign equity, and foreign cash do not significantly influence foreign debt.

This study found out that foreign debt does not significantly influence the stock return. However this variable has positif significant to the company risk. Local debt does not influence neither stock return nor the risk. The foreign debt and local debt have negative corelation that means there is substitute corellation between them.

Key word: Foreign debt, local debt, stock return, risk, operating margin, company size, capital expenditure, real asset, market to book ratio, foreign equity.

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