

ABSTRACT

The Effect of International Business Activity on Capital Structure, Risk and Financial Performance of Manufacturing Company in Jakarta Stock Exchange

This dissertation investigates the direct and indirect effects of international business activity on financial performance. This dissertation is based on a comprehensive survey of the literature regarding published studies of international business activity. This dissertation is an extension and integration of previous researches done by Fatemi, (1988), Lee and Kwok (1988), Chen et al. (1997), Han et al., (1998), Kwok and Reeb (2000), Reuer and Leiblein (2000), Reeb et al. (2001), Chui et al. (2002), Contractor et al., (2003), Qian et al. (2003), Lu et al. (2004), Desai et al. (2004), Li Lei (2005). Sample of this study were purposely selected. Based on research sample criteria, only sixteen corporations are suitable for data analysis. From sixteen corporations, eight corporations are classified as international corporations with foreign sales ratio more than 20% and eight corporations classified as domestic corporations. The data in the period of 2001 – 2004 was analyzed using path, independent-sample T Test and discriminant analysis.

The findings of this study show that: (1) the effect of international business activity on capital structure and risk is insignificant, (2) The effect of capital structure and risk is positive and significant, (3) The effect of international business activity on financial performance is positive and significant and the form of the relationship between international business activity and financial performance is linier, (4) Capital structure domestic corporations differ the significant with international. (5) Risk can differentiate between international corporations and domestic corporations, (6) the indirect effect of international business activity on financial performance through capital structure and risk is insignificant. The findings of this study are important empirical evidence on international financial management theory and practices.

Key words: international business activity, financial performance, capital structure, risk, international corporations, domestic corporations.