

ABSTRACT

The determination of fund resources in capital structure policy had different effect on the value of PMA industrial firms and PMDN industrial firms were reflected in stock price. In order to analyze the difference, this study was conducted three steps of analysis used pooling data 1991 until 1996 from 18 PMA industrial firms and 55 PMDN industrial firms.

The first, grouping internal factor variables consisted of tax pay, firm's size, company's growth, uniqueness, financial risk, collateral value of assets, profitability, dividend payment, non-debt tax shield. Grouping external factor variables consisted of interest rate, exchange rate fluctuation, capital market condition. Both of them used factor analysis method.

Secondly, analyzing the differences between PMA and PMDN industrial firms from capital structure and firm value used discriminant analysis method. The result of this analysis indicated that capital structure and firm value could not differentiate between both of them. Internal factor variables and external factor variables determining capital structure and firm value differentiated PMA and PMDN industrial firm were non-debt tax shield, collateral value of asset, interest rate, and exchange rate fluctuation.

Finally, analyzing the effect of internal factor variables and external factor variables achive on capital structure and firm value by used multiple linear regression method. Internal factor variables and external factor variables had significant effect on capital structure and firm value of PMA and PMDN industrial firms. Capital structure did not influence significantly on the value of PMA industrial firms but influence significantly on the value of PMDN industrial firms.

Interest rate had dominant effect on capital structure of PMA and PMDN industrial firms. The firm growth had also very dominant effect on firm value of PMA and PMDN industrial firms. Financial risk of PMDN industrial firms were bigger than PMA industrial firms. Furthermore, profitability had bigger effect on PMA industrial firms than PMDN industrial firms. The fund resources at capital structure in PMA industrial firms consisted of retained earnings, depreciation, amortization, equity, local currency debt and eurocurrency debt. The fund resources at capital structure in PMDN industrial firms consisted of retained earnings, equity, and local currency debt.

The results of this study supported traditional and pecking order theory but also did not support Modigliani and Miller capital structure theory. The determinants of Multinational Corporations' capital structures were firm's size, company's growth, uniqueness, collateral value of assets, profitability, non-debt tax shield, interest rate, exchange rate fluctuation, and capital market condition. The determinants of Domestic Corporations' capital structures were firm's size, financial risk, collateral value of assets, profitability, interest rate, and capital market condition.

Key words: Non-debt tax shield, collateral value of asset, financial risk, growth, profitability, interest rate, exchange rate fluctuation.