

ABSTRACT

The aims of this study were: to identify financial leverage influence return on equity (ROE) and to identify ROE mean differences of the companies which were have lower and higher financial leverage based on normal economic condition and crisis economic condition.

Samples of this study were include the groups of companies that has been listed in Jakarta Stock Exchange and Surabaya Stock Exchange. Data for this study were the financial statement of the companies that consisted in 1996 and 1998. Those samples were divided in to sub sampel normal economic condition and crisis economic condition. After that, those sub sampels were divided in to two groups, one samples were the companies that have financial leverage equal or lower than everage financial leverage, and another samples were the companies that have financial leverage higher than average financial leverage.

Data which has been generated, will be analyzed by using simple regression and independent samples t-test. Simple regression analysis by using t test to verify financial leverage influence return on equity (ROE). While independent samples t-test to verify ROE mean differences of the companies which were have lower and higher financial leverage.

The results of this study indicated: financial leverage have not statistically significant influence the ROE in both economic normal and economic crisis conditions, ROE mean differences between the companies which have lower and higher financial leverage are statistically significant in normal economic condition, but it are not statistically significant in crisis economic condition.

The financial leverage have unsignificant influence ROE was due to the bad performance of industries sectors, in which primary contribution of trade balance surplus come from gas oil (migas) sector. The trade balance non gas oil (non migas) sector always deficit, except in 1993, 1994, and 1997. The ROE decrease in crisis economic condition was cause to the rate of dependence hight on import input material or component. So, management was suggestion to push down the rate of use on the import input material or component.

Key words: ROE, financial leverage, economic condition