THE INFLUENCE OF CAPITAL STRUCTURE AND MACROECONOMIC FACTOR ON FINANCIAL PERFORMANCE AND ITS IMPLICATIONS ON FIRM VALUE
(An Empirical Study in Textile and Textile's Products Companies Listed in Indonesia Stock Exchange (IDX))

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Abstract: *Textile industry and Textile Product (TPT) contributes to GDP, foreign exchange earnings and employment at the same time. Globalization which is marked by the termination of the quota system opens opportunities for open market segments. But the textile industry in Indonesia over the last ten years is known as sunset industry, the effect of this is the tendency to be difficult to gain the trust of the stakeholders concerned. This causes the decrease value of the textile companies registered in the stock exchange market which is represented by the stock price. The cause of the the low level of the company value is the company's financial performance of the last five years which is still poor. It is related to capital structure policy issues that cannot be separated from macroeconomic factors. Referring to the problems above, this study aimed to obtain the results of a study on the influence of the capital structure and the macro-economic factor toward financial performance as well as its implications on the value of Textile Company in Indonesia Stock Exchange (BEI). Also, to get the results of the analysis of the influence among these variables. The population in this study is the Company Textile and textile products registered in the Indonesia Stock Exchange (IDX). The test results showed: the long-term capital structure and the inflation of macroeconomic factors influence positively to financial performance. Referring to the research findings, it is suggested that textile companies should always consider the capital structure and anticipate the macroeconomic factors. It is necessary to increase the roles and responsibilities of the textile industry associations in Indonesia as well as the government policy to support the textile industry development.*

Keywords: *Capital Structure, Macroeconomic Factors, Financial Performance, and Firm Value*

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INTRODUCTION

A. Research Background

The performance of the textile industry and textile products (TPT) contributes to economic growth in Indonesia. Textile industry contributed 2.18 percent to the Gross Domestic Product (GDP) and 8.01 per cent of the processing industry in 2010 (BPS, 2010). Even the non-oil export commodities which provide the largest contribution over the last 20 years is TPT. The textile industry is also the largest contributor to foreign exchange earnings Indonesia. In 2009, the textile industry accounted for 12.72 per cent of the foreign exchange earnings of the industrial exports excluding oil and gas (BPS 2010). The industry also employs many workers, employed directly or indirectly. Bureau of Statistics data show the number of Indonesian workers until February 2011 reached 119.4 million people with employment in the industrial sector of manufacturing as many as 13.71 million people with a direct workforce of 1.4 million people where most or about 47 percent comes from garment sector, followed by weaving sector, which absorbs 19 250 people and making and spinning fiber sector. Overall, the textile industry absorbs nearly 10% of the total manufacturing workforce in Indonesia. Besides the textile industry has a great opportunity, which the textile demand will increase in line with population growth.

Based on its characteristics, the more to the downstream textile industry (Garment and other textile products), requires more labor and rapid working capital turnover. While the more upstream (Natural Fiber and Fiber Making) increasingly requires substantial capital and greater energy consumption, as well as more advanced technology. Apparel manufacturing industry (garment) including the process of cutting, sewing, washing and finishing that produce ready-made garment. This sector requires vast labor where it creates intensive labor opportunities industry. The cost structure of the textile industry is dominated by raw materials costs. More than 50% of the cost structure in the manufacturing sector of fiber (fiber making), spinning, weaving and garments contributed by the cost of raw materials. TPT upstream industries such as fiber making, spinning and weaving are more sensitive to changes in energy prices due to the contribution of the cost of energy in this sector is quite high. While the garment industry is more sensitive to wages because of labor costs reached 27.1% of the total cost of production.

Globalization is marked by the end of the quota system in 2005 has pushed world textile trade more open and change the map of the market from the supply side management importer. Changes in world textile trade opportunities and pose a threat to the Indonesian textile industry. Emerging opportunities is the market share of the countries that had been protected by a quota system would

be open. While the threat of Indonesian textile industry is intense competition among countries in the world textile producers, such as China, India, the United States and the European Union. While competition in the world market is increasing, conditions in the domestic industry actually relatively poor. One of the circumstances that worsen prospects for development of the textile industry in Indonesia is that the investment climate is not very conducive, while the textile industry is in desperate need of substantial investment to revitalize machines and technology that is already obsolete.

The textile industry in Indonesia over a period of 10 (ten) years known as *a sunset industry*, and even the banks as intermediary institutions reduce their work in channeling funds to the textile industry. This further aggravates the textile company's financial condition at that time, even until now the effect is still felt, where the company is likely to be difficult to gain the trust of the stakeholders concerned. The occurrence of this condition, making it difficult to develop the company in the ownership of current assets, which at the moment working capital condition is still relatively difficult to obtain, so it is very destabilizing existing capital structure. Selection of additional alternative capital from debt is generally based on low consideration, said low because the interest cost to be borne by the company less than the profits derived from the utilization of such debt (Gitman, 1994).

The increased capital structure was also boosted by the government's macro policies regarding stimulant for export-oriented companies (export oriented). However, the side effect of a sunset industry textile industry created difficulties in obtaining funds from debt. Therefore, it is not surprising in that period, many textile companies are facing financial difficulties (financial distress). Most of them can get out of these difficulties, but not the least of which ultimately must be liquidated or merged with other companies choose.

The difficulty in obtaining debt capital structure in the fulfillment of the textile industry on the one hand does cause financial performance industry as measured by Return on Assets (ROA) fluctuates both unidirectional and opposite to the movement of capital structure coefficients, however, overall there is a trend of decline in the acquisition of return in the industry. The company's performance is not only influenced by the capital structure, but also influenced by macro fundamentals, namely inflation, interest rates and economic growth are macroeconomic variables that are often seen as a factor that gives effect to the decision of capital market participants. These variables have the potential to improve or degrade the performance of the company, either directly or indirectly. Macroeconomic fundamentals is a reflection of systematic risk, deteriorating macroeconomic conditions will increase the risk of systematic which can degrade the performance of the company, and vice versa.

The movement of the rupiah against the USD supposed to influence the financial performance, let alone a company engaged in the textile industry related to export and import transactions are commonly used as a benchmark currency USD. Rupiah continues to strengthen could be bad news for exporters. The reason, their revenue could be cut off. Moreover those entrepreneurs who really rely on exports and with minimal portion of the domestic market. However, the positive impact, the cost of imports will be cheaper so that it can reduce the cost of production.

To meet the financial needs, the TPT Company gets working capital credit facility from a third party, among them is banking. Cost of capital obtained from banks affected by the interest rate of Bank Indonesia (BI Rate). So that the BI rate is also thought to influence the financial performance of the textile industry. In addition to the movement of the rupiah against the USD and the movement of interest rate (BI Rate), macro-economic conditions are expected to affect financial performance is the movement of inflation for the textile industry to produce primary products are very sensitive to the movement of the rate of inflation.

Some studies use capital structure in various countries showed different results. Ang and Jung (1993) examined the Capital Structure in South Korea. In conclusion contrary to the hypothesis *pecking order*, with the argument that Korean companies generally have had a relatively high leverage, so the need for further external funding (marginal financing) tend to be funded by the issuance of shares. In contrast to the results of research Dzung Nguyen, Ivan Diaz-Rainey & Andros Gregoriou (2012) in *"Financial Development and the Determinants of Capital Structure in Vietnam analyzes of the capital structure of listed companies in Vietnam* analized the industry capital structure of the registered companies in Vietnam. From the results of this study concluded that the Vietnamese company's capital structure is still dominated by the use of short-term debt as a source of financing. Similarly, in the study Pratheepkanth, Puwanenthiren (2011) which states a negative effect on the capital structure of financial performance which largely depend on the debt capital structure. Osuji Casmir Chinaemerem & Odita Anthony (2012) also examine the impact of capital structure to the company's financial performance Nigeria used a sample of thirty non-financial companies listed on the Nigerian Stock Exchange for a period of seven years (2004-2010). The results showed that the company's capital structure, as measured by the ratio of debt to have a significant negative impact on the company's financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE).

B. Problem Formulation

On the basis of research background, the formulation of the problem of this research as follows:

The extent of capital structure consisting of STDTA (Short Term Debt to Total Asset), and LTDTA (Long Term Debt to Total Asset) and Macroeconomic Factors that consists of Exchange Rate, Inflation, and Interest (BI Rate) influence simultaneously and partially on Performance Finance.

C. Usability Research

The result is expected to be able to develop alternate models that can be used as a reference for further research related to the improvement of financial performance supported by the development of the capital structure and the anticipation of the movement of macroeconomic factors.

The results of this study are expected to be used among practical business that is engaged in the textile as information about the effects of capital structure and macroeconomic factors on the performance of the company and can be used as consideration in an effort to improve financial performance and corporate value.

LITERATURE REVIEW

A. Previous Research

The funding decision is to determine the source of the funds to be used, whether these funds come from outside or from within the company, and when these funds can be obtained and utilized by the company. The company's capital structure is a mix of all sources of long-term financing (equity and debt). In general, a company can choose a variety of alternative capital structure, debt is one of the alternatives for the company's capital structure where the use of debt at any given moment will be more profitable than the company's own capital because it will lower the cost of capital and increase returns for shareholders.

The company to meet the needs of the fund can be gained from internal and external sources. The theory discusses investment financing is known as the theory of funding sequence (*Pecking Order Theory*). *Pecking Order Theory* introduced by Gordon Donaldson in 1961. This research analyzes the corporate finance practice with the result that the company has in financing the sequence begins with a sequence of retained earnings, the debt to a third party with a loan or sell bonds and the latter by issuing new shares. The sequence is based on the financing costs to be incurred by the company and the cost of equity is the highest cost.

The trade-off theory (Myers, 1977; 1984) predicts that in the search for the relationship between the value of the company capital structures that are one level of leverage (debt ratio) is optimal. The use of debt will increase the value of the company to a certain leverage limits (optimal), and after the use of debt will lower the value of the company, due to the use of debt after optimal leverage will

cause the cost of bankruptcy (bankruptcy cost) is greater. The trade off theory explaining the relationship between tax, bankruptcy risk and the use of a debt due to the decision taken by the company's capital structure (Brealey and Myers, 1991). This theory is a balance between the advantages and disadvantages over the use of debt. Companies that continue to increase the debt will pay a greater interest and a possible reduction in net income of increasingly large and will bring financial difficulties (financial distress) and toward bankruptcy that ultimately led to bankruptcy costs.

Zwiebel in 1986 published his writings on *"American Economic Review"* with the title *"Dynamic Structure Capital Under Management Entrenchment"* which developed a model in which financial managers voluntarily choose debt (Voluntarily) with limitations to build the company in the future.

Then Fisher, Heinkel and Zechner 1989 (model FHZ) conducted a study published in the Journal of Finance with the title *"Dynamic Capital Structure Choice Theory and Test"* which developed a dynamic model of capital structure so-called theory of dynamic capital structure. Fisher research results, Heinkel and Zechner stated that the company can not make adjustments to the capital structure before the existing debt maturities. Model FHZ also outlines a tax advantage on the debt is generally omitted in which the tax benefit is a function of the volatility of the value of the company increases. Model FHZ also stated that the company can capitalize on the debt at any time and determine the critical value of the upper limit and lower limit leverage ratio which occur transaction costs to adjust (rebalance) the company's capital structure.

Pratheepkanth (2011) identified the impact of the Capital Structure of the Company's performance, taking into account the level of financial performance. The results showed a negative effect on the capital structure and financial performance largely depends on the debt capital structure. Berger, Allen N .; Bonaccorsi in Patti, Emilia (2003) proposed a new approach to test the theory of leverage affect agency costs and thus affect the company's performance using efficiency gains. The paper also control the size of the ownership structure. It was found that the data on the US banking industry is consistent with the theory, and the results are statistically significant, economically significant, and robust. Bouraoui, Taoufik & Li, Ting (2014) examined the impact of the adjustment of the capital structure of the business performance. It was found that changes in leverage a negative impact on performance, both in the short and long term after the Mergers & Acquisitions (M & A). Dzung Nguyen, Ivan Diaz-Rainey & Andros Gregoriou (2012) in "Financial Development and the Determinants of Capital Structure in Vietnam. It can be concluded that despite the emergence in recent years, Vietnam's capital structure the company is still dominated by the use of short-term debt as a source of financing. Osuji Casmir Chinaemerem & Odita Anthony (2012) in the *"Impact*

of Capital Structure on the Financial Performance of Nigerian Firm" assess the impact of capital structure to the company's financial performance Nigeria. Results of the study is the ratio of debt to have a significant negative impact on the company's financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE).

Abzari, Mehdi; Fathi, Saeed & Nematizadeh, Fateme (2012) examined the effect of macroeconomic variables perceived by the financial manager of the company's capital structure decisions listed in the Tehran Stock Exchange. Mine Aysen Doyran (2013) examined the relationship between performance and some macro and micro variables in the commercial banking industry. Regression analysis showed that there was no significant relationship between perceived macro-economic variables and how Iranian companies organize their capital structure, however, the majority of financial managers revealed a significant effect of exchange rates, inflation rates and interest rates, in order of importance, the structure capital company.

Mine Aysen Doyran (2013) examined the relationship between performance and some macro and micro variables in the commercial banking industry Argentin. The findings suggest that factors such as cost management (operational cost efficiency / inefficiency), leverage and liquidity appears to be an important force behind the net interest margin (NIM) and profit (ROA) in the banking industry Argentina.

B. Framework

Capital structure problems stemming from debt is a source of external financing of the most important in the textile industry and textile products due to the financial performance of this industry over the last five years almost 40% of the company that is open is negative, so that this industry is an industry that is not attractive for investors to invest their funds. Textiles and textile products is the industry's nearly 90% of its raw materials are imported and exported most of its products that are very sensitive to some of the macroeconomic factors that may affect the company's capital structure such as inflation, interest rate policy of the Central Bank, and the index of the Rupiah Nominal Exchange Rate to USD

The alternative financing is the company's debt is consistent with the policy of capital structure based on the philosophy of the pecking order theory. With reference to the discussion of the pecking order theory and previous research, the measurement of the capital structure in this study using the Short Term Debt to Total Assets (STDTA), and Long Term Debt to Total Asset (STDTA).

The financial performance in this study is the level of corporate profitability as measured by ROA (Return on Assets). ROA is the most comprehensive measure of the performance management as a whole because using three variables: (1) total

revenues, (2) total cost and (3) the assets are used. If the company has a good ROA it will generate a satisfactory ROE (Ciaran Walsh, 2006: 58).

Based on the model of the relationship between variables that have been discussed, the overall research paradigm can be arranged as in the image below. In the picture the research paradigm described the relationship between the study variables where there is a relationship between capital structure and macroeconomic factors, on the financial performance.
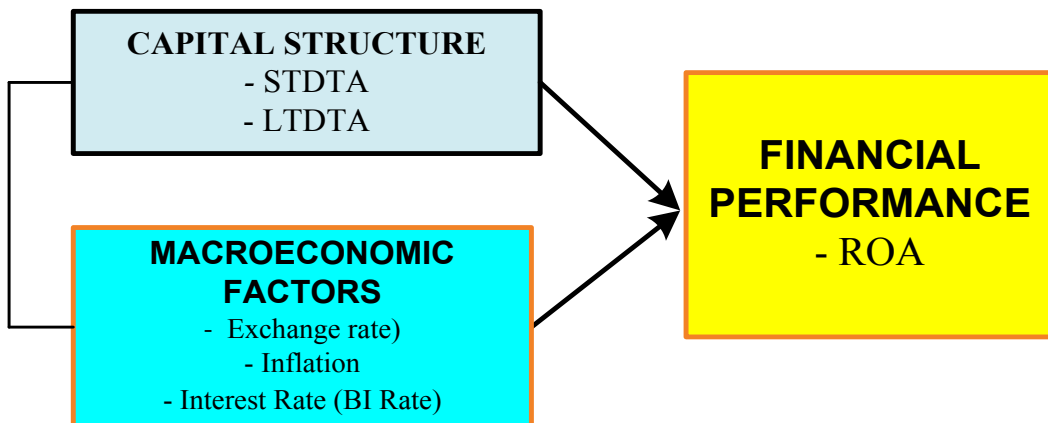
Research Paradigm

Note:

- STDTA = Short Term Debt to Total Assets

- LTDTA = Long Term Debt to Total Assets

- ROA = Return On Asset

C. Hypothesis

Capital structure (STDTA and LTDTA) and Macroeconomic factors (inflation, exchange rate and interest rate BI) simultaneously Influence the financial performance.

Partialy:

a. Short Term Debt to Total Assets (STDTA) influences positively towards financial performance

b. Long Term Debt to Total Assets (LTDTA) influences positively towards financial performance

c. Exchange rate influences positively towards financial performance

d. Inflation influences positively towards Financial Performance

e. BI Rate influence negatively towards financial performance

RESEARCH METHODS

A. Methods Used

This research is quantitative emphasizes analysis of numerical data (numbers) are processed with statistical methods, whereas the depth of analysis based on the type of research that will be used is descriptive and inferential. This study also includes research is explanatory study using a hypothesis testing against existing problems. To answer the research hypothesis used appropriate statistical methods in analyzing the causal link, the method of panel data regression analysis. Reason uses panel data regression analysis because the analysis aims to reveal the influence of independent variables on the dependent variable.

B. Sources and Determining Data

The unit of analysis in this research is the company Textiles and textile products that are listed in the Indonesia Stock Exchange and financial reports respectively during the period 2008-2012. The research method uses sampling techniques studied saturated so that the data cover the whole population of the unit of analysis, but there are two companies that delisted during the observation period so that the unit of analysis is only 20 companies.

Operationalization and Measurement Variable

Variabel/Sub Variabel	Concept	Indicator	Value	Scale
Capital Structure	mix of debt and equity in the financing company	a. Comparison of short-term debt to total assets / Short Term Debt to Total Assets (STDTA) b. Comparison of long-term debt to total assets / Long Term Debt to Total Assets (LTDTA) Rupiah	Rupiah Rupiah	Rasio Rasio

Variabel/Sub Variabel	Concept	Indicator	Value	Scale
Macroeconomic factors a. Inflation b.Central Bank Interest Rate Policy / Bi Rate c. Exchange Rate	The increase in prices in general and continuously The interest rate set by the Bank The ability or the purchasing power of the local currency (local currency) against the US dollar	Changes in inflation value = (T Inflation - Inflation t-1) / Inflation t-1 Changes in BI Rate = (t BIR - BIR t-1) / BIR t-1 Changes in the value of the Rupiah against USD = (Exchange t - Exchange t-1) / Exchange t-1	Percent Percent Rupiah to USD	Ratio Ratio Ratio
Financial Performance	Advantages that can be achieved by the company in a certain period with a number of capital works therein	ROA (Return on Assets) = Profit After Taxes / Total Assets Ratio Percent	Percent	Ratio

C. Data Collection Techniques

This study uses secondary data and when required as verification and supporters will use primary data using interview techniques with the competent parties. Therefore, the data will be collected and processed by requesting reports related to the study to the Ministry of Finance, BPS, BI and BEI. Secondary data were used as the basis of calculation in this study originated from components of the annual financial statements of the issuer company TPT, which is observed in a range of 2008-2012 period. Thus the processed data included in this type of longitudinal data as a mix between time series (time series) with a cross section. Because the quantitative models used is an econometric model, this study uses panel data analysis.

D. Design Analysis and Test Hypotheses

Regression methods were used to estimate an econometric model for the purpose of this study was to look at the influence of independent variables on the

dependent variable. From the results of hypothesis testing models can be deduced the relationship between the dependent and independent variables.

The model equations used in this study mathematically formulated as follows:

ROA = f (SM,ME)

ROA $= \beta_{01i} + \beta_{1.}SM_{it} + \beta_{2.}ME_{it} + e_1$

SM = f (STDTA, LTDTA)

$= \beta_{01} + \beta_{1.1}STDTA_{it} + \beta_{1.2}LTDTA_{it} + e_2$

ME = f (KURS, INF, BIR)

$= \beta_3 + \beta_{1.3}Kurs_{it} + \beta_{1.4}INF_{it} + \beta_{.5}BIR + e_3$

$$ROA_{it} = \beta_{02} + \beta_{1.1}STDTA_{it} + \beta_{1.2}LTDTA_{it} + \beta_{1.3}Kurs_{it} + \beta_{1.4}INF_{it} + \beta_{1.5}BIR + e_{1it...} \qquad (1)$$

RESULTS AND DISCUSSION

1. Description of Macroeconomic Factors

Factors that influence a company's management decisions are internal and exsternal factors. Internal Factors can be attributed to the policy-making and operational strategy of the company. While external factors are factors that come from outside the company, including monetary policy, exchange rate fluctuations, and inflation rates, interest rate volatility, and innovation of financial instruments (Siamat, 2005).

Macro-economic analysis is an analysis of external factors that are macro, in the form of events that occurred outside the company, so it cannot be controlled directly by the company. Macroeconomic environment will affect the company's operations in this case the policy-making decisions relating to the company's financial performance.

Macroeconomic factors in this study using indicators of exchange rate, inflation, and interest rates. Description of each of the indicators are described as follows:

a. Exchange rate

The exchange rate (rate) is taken from the website of Bank Indonesia data from 2007 till 2012 shown in chart 1, the graph can be explained that the movement of exchange rate fluctuated year period 2007-2012. In 2009 the value of the rupiah against the US dollar had weakened Rp.718, - compared to 2008. The rupiah exchange rate in 2009 reached the lowest figure of Rp. 10 398, - per US dollar this the impact of the global crisis and a property in America. But the following year the rupiah regained. Even in 2011 the figure had climbed to Rp. 8779, - per US

Dollar. Overall the average value of the rupiah against the US dollar in 2007-2012 amounted to Rp. 9411, -.

b. Inflation

The data rate of inflation is taken from the Central Bureau of Statistics data from 2007 till 2012 shown in chart 2, the graph can be explained that the inflation rate in the period 2007 to 2012 has fluctuated despite overall continued to decline. The inflation rate in 2008 tended to be higher than in 2007, which amounted to 11.06%, it is associated with the impact of the global crisis and a property in America. The lowest inflation in 2009, the post-crisis recovery in 2008, which amounted to 2.78%. Overall, the average rate of inflation of 5.78%

c. Interest rate

Figures Interest Rate (BI rate) taken from the website of Bank Indonesia data from year 2008 to 2012 with the results in graph 3, the BI rate tends to be high in 2008 reached 9.25%, this may be related to government policy, in this case the Bank Indonesia to anticipate and overcome the crisis as the impact of the global crisis and the crisis in the US property. BI rate in subsequent years continued to decline. Even in 2012 the BI rate pegged only 5.77%. This decrease is in line with the improvement in economic conditions of the National pasaca global crisis. Overall, the average BI rate stands at 7.05%. Based on the value of the BI Rate, National Banking will determine the interest rate of the loan.

Using data from the Investment Coordinating Board (BKPM) in 2012, the comparison gap of the loan interest rate in the banking sector between China and Indonesia is far. In China, the loan interest rate is only 6%, while in Indonesia reached 14%.

2. Description of Capital Structure

This study uses two (2) measurement of capital structure used by Abor (2005 and 2007) and Ebaid (2009), namely 1) Short Term Debt divided by the Total Assets of the firm (STDTA), and 2) Long Term Debt divided by the Total Assets of the firm (LTDTA).

Data measurements taken capital structure of the Company's Financial Statements and IDX TPT Fact Book on the website of the Indonesian Stock Exchange in 2007 until 2013. Description of each of the indicators described in chart 4 and 5. Based on the graph 4 it is known that the average Short Term Debt to Total Assets (STDTA) textile industries in 2008 to 2012 reached 0.65. This figure shows the average short term debt to total assets owned by the property company

as much as 0.65 times of the assets owned by the company. The higher STDTA shows the high dependence of short-term capital firm against outside parties.

Based on chart 5 in mind that the average Long Term Debt to Total Assets (LTDTA) textile industries in 2008 to 2012 reached 0.33. This figure shows the average long-term debt to total assets owned by the company Textiles and textile products as much as 0.33 times of the assets owned by the company. The higher LTDTA show high long-term capital firm dependence on outsiders.

In Bank Indonesia Regulation (PBI) No. 8/2/2006 concerning changes to PBI7 / 2/2005 concerning Asset Quality Rating for Commercial Banks, BI has three pillars in the assessment of the collectability of loans, namely business prospects, debtor performance, and repayment ability. Assessment of the performance and ability to pay are likely quantitative. Assessment of business prospects based on a number of things, among others, the potential for business growth, market conditions and the position of the debtor in the competition, the quality of management and labor problems, affiliate support, and the efforts made by the debtor in order to preserve the environment. In this case the textile industry is regarded as the industry's prospects are not as bright as other industries.

In the textile industry that is now being gloomy, there are still many companies that are nice and worth financing. But because its prospects are considered bleak, supervisor Bank Indonesia (BI) often ask the relevant bank lowered the debtor collectability of loans not be a problem loans (non-performing loans / NPL). Impact, banks must set aside larger NPL provisioning so that the cost of funds increased. This causes the banks are reluctant to extend credit to the textile sector or other industries that assessed prospects bleak.

3. Description of Financial Performance

Financial performance in this study using the indicator / proxy ROA (Return on Assets). Data ROA of each Company Textiles and textile products contained in chart 6. Based on the graph 6 shows that the average financial performance (ROA) of textile industry is already listing the year 2008 until the year 2012 reached 2.05%. However, for each company looks very diverse, even 40% of companies experiencing performance minus the average of five years. Of these conditions many things that need to be further analyzed about contributing factors as well as corrective measures textile company's financial performance.

4. Hypothesis Test Results

a) Model Pool or Fixed Effect

Tests conducted by Chow-Test deng Hypothesis:

Ho: a model to follow Common effect Model

H1: Fixed effect models follow the Model

Hypothesis	Statistic Test F	p value	Conclusion
Hypothesis 1	3.527	0.000	Fixed Effect

Based on the above data it can be concluded that the overall model is more appropriate to use the fixed effect model when compared to the common effect model. So that the process of selecting the best model panel models still need to proceed with Hausman test to determine whether the model of panel data following the fixed effect model or random effect model.

b) Fixed Effect Model or Random Effect

Tests conducted by Chow-Test with Hypothesis:

Ho: a model to follow Random Effect

H1: a model to follow Fixed Effect

Hypothesis	Statistic Test	p value	Conclusion
Hypothesis 1	4.339	0.5017	Fixed Effect

Based on the above data it can be concluded that the more precise the data using a random effect model. compared with the fixed effect model.

Equation Econometric based on test results Table 1 are as follows:

$$ROA_{it} = 4,5338 + 0,0433STDTA_{it} + 3,1859LTDTA_{it} - 0,0935KURS_{it} + 2,9824INF_{it} - 0,284BIR_{it} + e_{1it} \dots (1)$$

Simultaneous Hypothesis

The test results show that simultaneously there is an influence of the Capital Structure and Macroeconomic Factors on Financial Performance with R2 values obtained from these models amounted to 68.467%.

Partial hypotheses

Based on the table 4 known:

a. STDTA influence (Short Term Debt to Total Asset) to Financial Performance

In this study Short Term Debt to Total Asset predicted to have a positive correlation to financial performance. The calculations show that the Short Term Debt to Total Asset was not significant (0.343800) is statistically the coefficient is positive

(0.043339). These results indicate that the sub-hypotheses (1a) which states that the variable Short Term Debt to Total Asset positive effect on the financial performance was rejected or not accepted so the sub hypothesis can be ignored.

Regression analysis provides information primarily about the direction of the positive coefficient indicates that the pecking order theory has a relative support, according to this theory in financing companies base sequence of retained earnings, debt and new share issuance. However the insignificant leads to support that theory becomes meaningless.

Short-term capital structure as measured by the Short Term Debt to Total Asset has a positive coefficient, this coefficient is equal to the initial predictions of researchers, it is confirmed that the Short Term Debt to Total Assets is still difficult to obtain by the textile industry because the banks reduce their work in distributing the funds.

Meaning that can be explained from the results of this regression is that the fulfillment of the capital structure of the textile industry does not come from short-term debt. This shows that the textile industry is still the industry which includes a sunset industry category, because it is still difficult to get short-term financing from banks, until recently regarded as the industrial textile industry is high risk (study results from the Investment Coordinating Board - BKPM in 2012).

b. LTDTA influence (Long Term Debt to Total Asset) to Financial Performance

In this study Long Term Debt to Total Asset predicted to have a positive correlation with financial performance. The calculations show that Long Term Debt to Total Assets to be significant (4.238085) is statistically the alpha level of 5% with a coefficient is positive (3.185877). These results indicate that the sub hypothesis (1b) which states that the Long Term Debt to Total Asset positive effect on financial performance is acceptable. Positive direction indicates that the greater Long Term Debt to Total Assets of the company then the better the performance of the company or every 1% increase of Long Term Debt to Total Asset there is a tendency rising financial performance of 3.185877. Results of this study are consistent with empirical studies conducted by Abor (2005 and 2007) and Ebaid (2009), Senarath Lalithan & Seelanatha (2010), Zuraidah Ahmad, et al (2012), and Muzaffar et al (2013). Long-term debt has a positive correlation to the performance of the industry. Agustineu (2004) analyze the factors that affect the output of the textile industry in West Java by using the model years 1980 to 2001 Cobb Douglas. The result turned out to capital, raw materials, and fuel a positive influence on the increase in the output of the textile industry in West Java.

Meaning that can be explained from the research that the textile industry in the fulfillment of its capital structure using long-term debt by issuing bonds.

Increased funding source textile companies will increase production volume, thereby increasing the company's financial performance.

c. The Influence of Exchange Rate towards Financial Performance

In this study, the exchange rate is predicted to have a positive correlation to financial performance. The calculations show that the exchange rate was not significant (-0.070360) statistically by the coefficient is negative (-0.093509). These results indicate that the sub hypothesis (1c) which states that the exchange rate has positive influence towards the financial performance was rejected or not accepted so the sub hypothesis can be ignored.

Regression analysis provides information that the exchange rate (exchange rate) does not contribute to the financial performance of the textile industry although nearly 90% of industrial raw materials is imported and exported their products, this indicates that the textile industry has been to protect transactions in foreign currencies by hedging, so rate changes have no effect on the financial performance.

d. The Influence of Inflation towards Financial Performance

In this study, inflation is predicted to have a positive correlation to financial performance. The calculations show that inflation turned out to be significant (3.113869) is statistically the alpha level of 5% with a coefficient is positive (2.982376). These results indicate that the sub hypothesis (1d) which states that inflation is a positive influence on the financial performance is acceptable. Positive direction indicates that the greater the rate of inflation then the better the performance of the company or every 1% increase in inflation there is a tendency of increase in the financial performance of 2.982376. Results of this study are consistent with empirical studies conducted by Athanasoglou et al., (2005) which suggests inflation and other macro-economic variables affect financial performance. Likewise with Mine Aysen Doyran (2013) which suggests that negative inflation macroeconomic variables affect profitability but positively and significantly associated with the net interest margin. Mirza Hashem Vejzagic & Zarafat (2014) stated that in order to maintain profitability, should be done in anticipation of inflation in order to protect revenues and reduce costs.

Meaning that can be explained from the results of this study is that the financial performance of the textile industry will increase when inflation increases. Inflation is defined as rising prices in general and continuously. For textile companies, the increase in the inflation rate would raise the price of the product that will increase company profit.

e. The Influence of interest rate (BI Rate) towards Financial Performance

In this study, the interest rate (BI Rate) is predicted to have a negative correlation with financial performance. The calculations show that the interest rate (BI Rate) was not significant (-0.403342) statistically by the coefficient is negative (-0.284599). These results indicate that the sub hypothesis (1e) which states that the interest rate (BI Rate) negatively influences the financial performance was rejected or not accepted that this sub hypothesis is negligible.

These results are consistent with research conducted in Malaysia by Mirza Hashem Vejzagic & Zarafat (2014) which suggests that the interest rate has no relationship with profitability expressed via the return on assets (ROA). This is in line with the opinion of Tajul Khalwaty (2000: 145) that the interest rate is not significant because the level of interest rates is a conventional instrument to control or reduce the rate of growth of the inflation rate, as well as research results Bartholdy & Mateus (2008) which stated interest rate hikes will reduce the willingness of companies to invest.

Regression analysis provides information that interest rates charged banks is very high because the industry is considered a high risk industry, thereby reducing the company's desire for fulfillment TPT capital structure with bank credit. These results are also consistent with the results of the study of the Investment Coordinating Board (BKPM) in 2012, among others, the textile industry is still experiencing difficulties in accessing sources of financing in order to rejuvenate the engine and the high level of commercial interests.

A. Problem Solving

The identified Factors affecting financial performance are inflation and long-term debt to total assets. Based on these variables will then formulate a problem-solving plan for stakeholders associated with an increase in the company's financial performance textiles and textile products. Systematic discussion on solving the problem will go through the following stages:

1. Objective Formulation

Objectives that were defined in this study relates to the management of the company's financial management is to improve financial performance. Based on the above objectives, the formulation of the objectives of this study are as follows:

a. The Development of capital structure by emphasizing an increase in long-term debt ratio to total assets invitation (Long Term Debt to Total Asset).

b. The Improvement of financial performance by increasing the profitability of the company.

Based on the formulation of the objectives mentioned above, it is determined the formulation of solutions that are tailored to the empirical conditions by conducting a mapping strategy.

2. Mapping Strategies

Basically in order to improve the financial performance of textiles and textile products that have been going public requires a committed management strategy. Based on the results of the study, identified the problem and the steps necessary to improve the settlement of the company's financial performance textiles and textile products that have gone public related to the factors that influence it, namely capital structure (Long Term Debt to Total Asset) and macroeconomic factors (inflation), Strategy mapping is only done on the significant variables because in essence these variables have an important role in increasing the value of firms in the textile industry in Indonesia.

3. Operationalization Strategy

Once the mapping is done then the next strategy made operationalization strategies.

The relationships Variable Solutions with Financial Performance

Variable	Year					Median	Fluctuation
	2008	2009	2010	2011	2012		
Inflation	11,06	2,78	6,96	3,79	4,30	5,91	22,2
LTDTA	0,22	0,32	0,36	0,50	0,30	0,34	0,02
ROA	-18,03	3,61	-0,04	19,07	0,86	2,05	4,02

Source: data processing

In the above data shows that the textile industry has a capital structure in the form of long-term debt to total assets on average only increased by 0.02% from an average of 0.34% of the company's debt so that there is an average increase in financial performance 4.02%, it is due to an increase in the average inflation rate of 22.2%.

Based on empirical results in this study that the value of inflation and capital structures have a positive relationship to the financial performance pales in inflation and rising capital structure will cause an increase in financial performance. The increase in inflation will cause a rise in the price of industrial textile products that will increase the profits of the company, the increase in capital structure will result

in increased financial performance of the textile industry due to the addition of long-term capital can be used for investment (capital expenditure) in the form of the purchase of new, more modern machinery or rejuvenation machine so the company becomes greater productivity, which in turn will enhance the company's financial performance.

4. The Action Plan

The action plan is more emphasis on the actions to be taken to realize the strategy that had been developed. In determining the capital structure with a debt must be anticipated inflation rate by solving the problems using hedging to anticipate rising inflation. To improve financial performance, in determining the capital structure the company can use long-term debt which can be obtained either by bonds and bank debt. If the long-term debt is still difficult to obtain in the country, it can be used overseas banks to the level of cost is relatively cheaper.

5. Evaluation and Control Plan

Plan evaluation and control is essential for companies to variables that affect financial performance solutions can be implemented properly. The next step is the operationalization of variables with control solution, namely

Strategy Operational Capital Structure Development

Strategy	Operational Stages	Controlling
Development Company Capital Structure	1. Emphasizing the increase of capital structure appropriate policies with long-term debt Comparison with total assets (Long Term Debt to Total Asset) in financing companies 2. Continuing the program of revitalization of the textile machine	3. Taking into account the level of debt at the expense of the use of debt 4. Making adjustments to the capital structure after the existing debt maturity

Development of the company's capital structure priority to the aspects determining the appropriate capital structure policy by way of formulating long-term debt ratio to total assets (Long Term Debt to Total Assets - LTDTA)

Strategy Operational Performance Finance Improvement

Strategy	Operational Stages	Controlling
Improve Financial Performance	1. Improving the profitability of the company 2. The increase in sales of textile and cost efficiency	Maintaining the level of profitability is above average industry

Improve financial performance, prioritized by the increased profitability of the company, and then determine the appropriate capital structure policy, and the company anticipates macroeconomic factors.

CONCLUSION

This study has found that the financial performance of the model suggest a link between the simultaneous capital structure and macroeconomic factors (inflation) of the company's financial performance textiles and textile products that are listed in the Indonesia Stock Exchange. The dominant variable capital structure is Long Term Debt to Total Assets and macro-economic variables are inflation while the Short Term Debt to Total Assets, exchange rates and interest rates did not have an impact on financial performance

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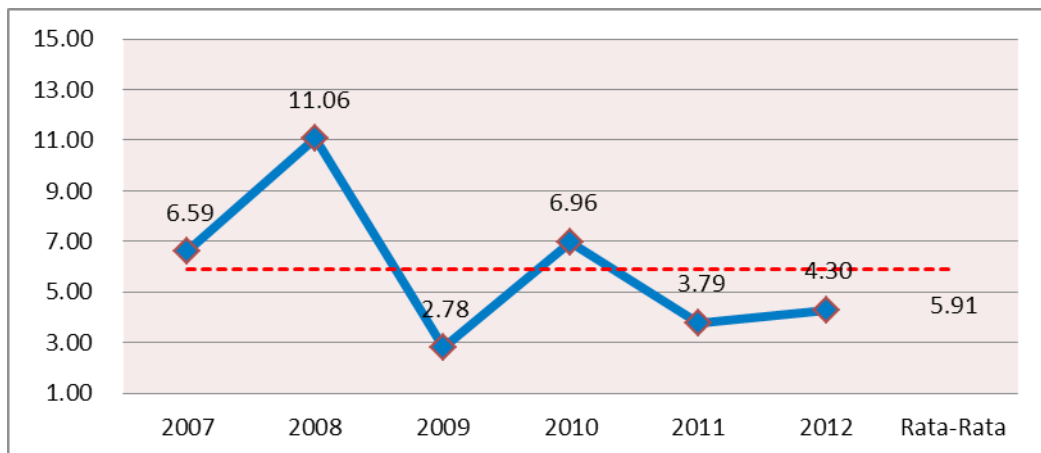
APPENDICES

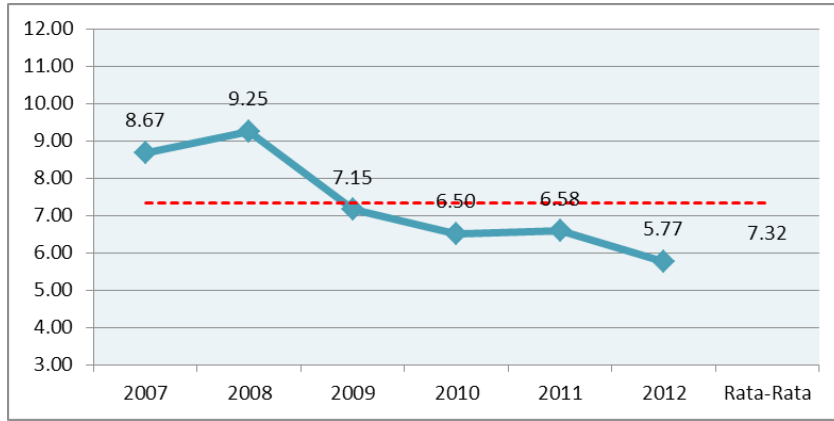**Grafik 1. Exchange Rate Annual Average Indonesia 2007-2012
(Rupiah towards USD)**
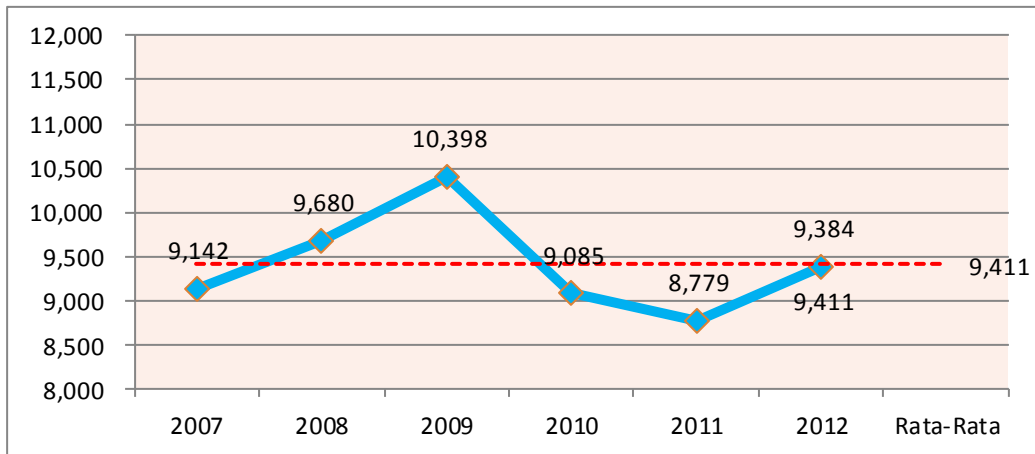
Source: Bank Indonesia, 2014 (diolah)

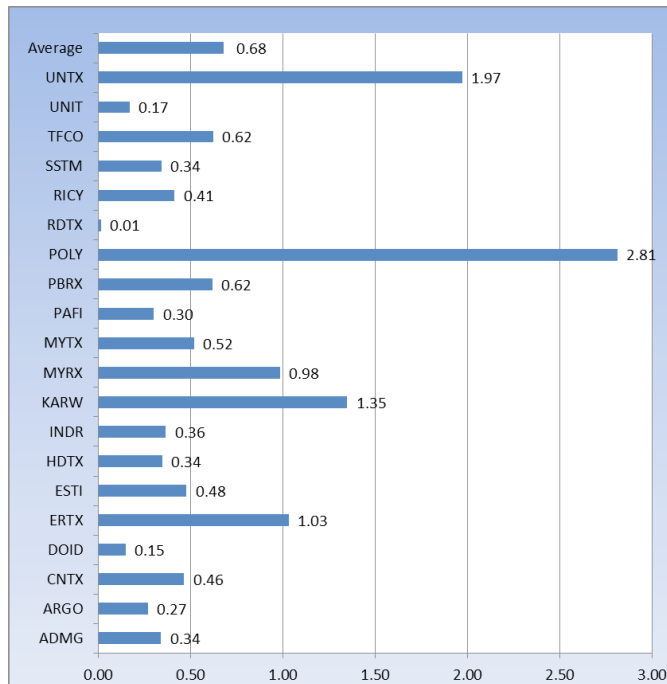**Grafik 2. Inflation Leverage Annual Indonesia 2007-2012 (%, yoy)**

Source: BPS, 2014 (analized)

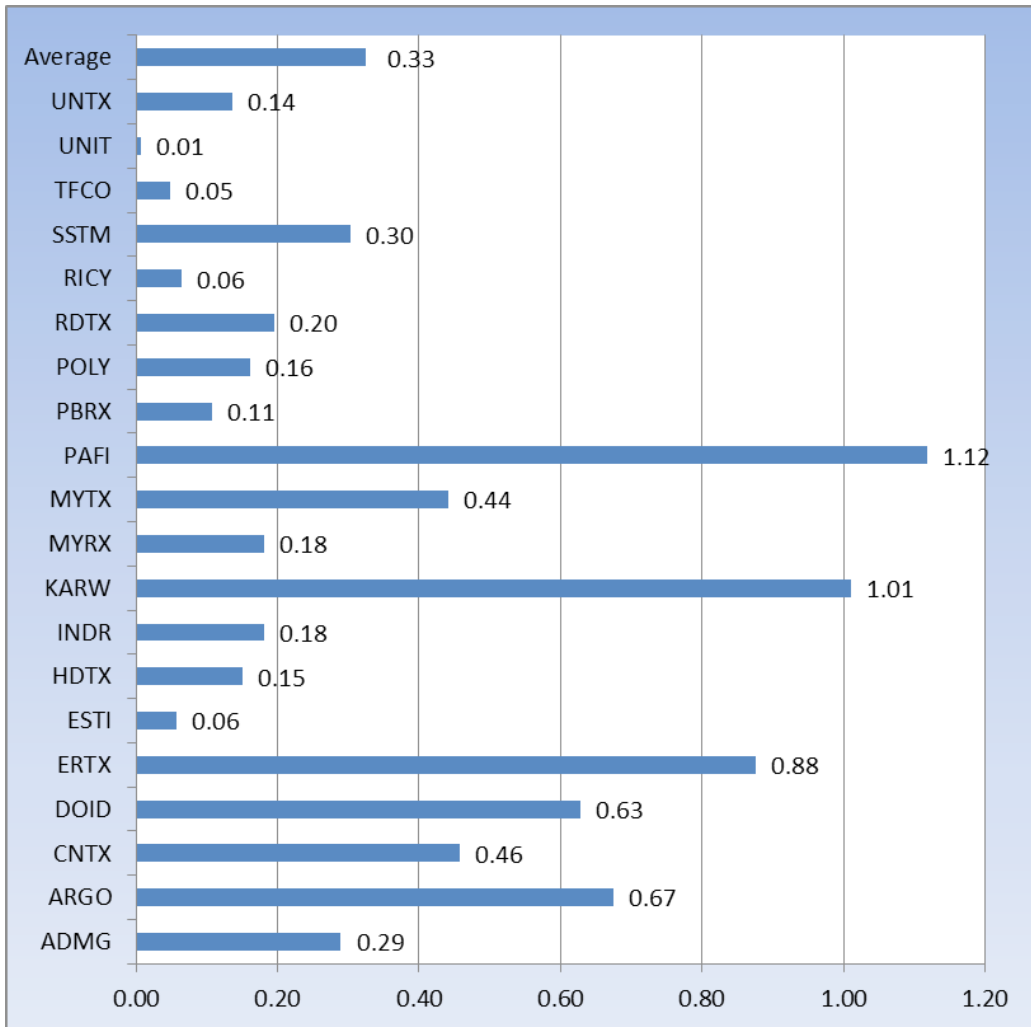**Graph 3. Average Interests rate (BI Rate) 2008-2012(%, yoy)**

Source: Bank Indonesia, analized (2014)

**Graph 4. Average Ratio Short Term responsibility to Total Asset
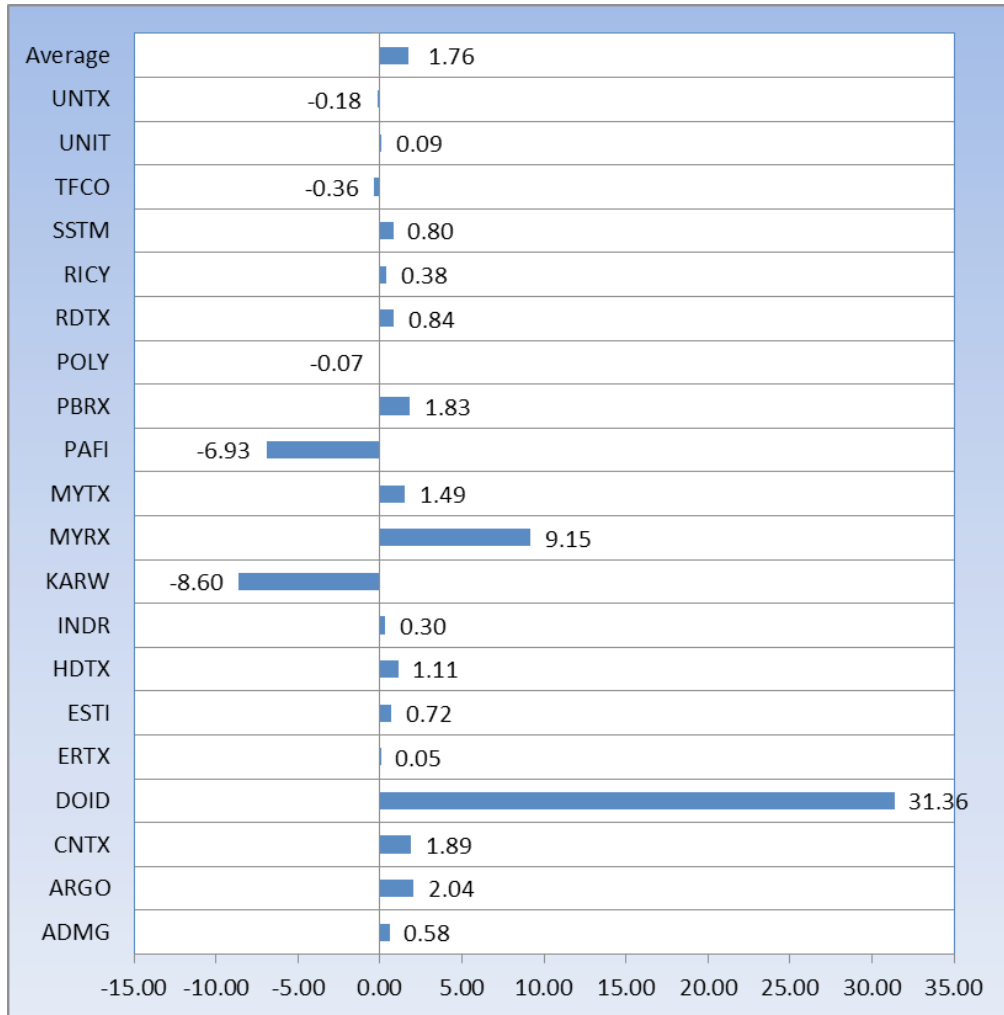Industry TPT di Indonesia Year 2008-2012**

Source: IDX Fact book 2009 to 2013 (Analized)

**Graph. 5: Average Ratio Long Term responsibility to Total Asset
Industry TPT in Indonesia Year 2008 - 2012**

Source: IDX Fact book 2009 to 2013 (Diolah)

Graph 6: Company Value TPT Industry in Indonesia 2008-2012

Source: IDX Fact book 2009 to 2013 (Analized)

Table 1
Results Estimation Random Effect Hypothesis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.533778	1.541316	2.941498	0.0041
STDTA?	0.043339	0.126057	0.343800	0.7318
LTDTA?	3.185877	0.751726	4.238085	0.0001
KURS?	-0.093509	1.329001	-0.070360	0.9441
INF?	2.982376	0.957772	3.113869	0.0024
BIR?	-0.284599	0.705603	-0.403342	0.6876
Random Effects (Cross)				
_ADMG--C	-0.795289			
_ARGO--C	-3.741414			
_CNTX--C	-2.281282			
_DOID--C	-2.993830			
_ERTX--C	9.229373			
_ESTI--C	-1.336856			
_HDTX--C	-1.945225			
_INDR--C	-1.338969			
_KARW--C	2.389107			
_MYRX--C	-6.793591			
_MYTX--C	-1.599275			
_PAFI--C	2.120206			
_PBRX--C	7.980692			
_POLY--C	4.703939			
_RDTX--C	0.444839			
_RDTY--C	0.134672			
_SSTM--C	-3.062316			
_TFCO--C	-3.931060			
_UNIT--C	-0.189071			
_UNTX--C	3.005349			

Effects Specification			
		S.D.	Rho
Cross-section random		4.771046	0.3677
Idiosyncratic random		6.256688	0.6323

Weighted Statistics			
R-squared	0.684673	Mean dependent var	5.854092
Adjusted R-squared	0.667901	S.D. dependent var	10.81879
S.E. of regression	6.234657	Sum squared resid	3653.869
F-statistic	40.82072	Durbin-Watson stat	1.816486
Prob (F-statistic)	0.000000		