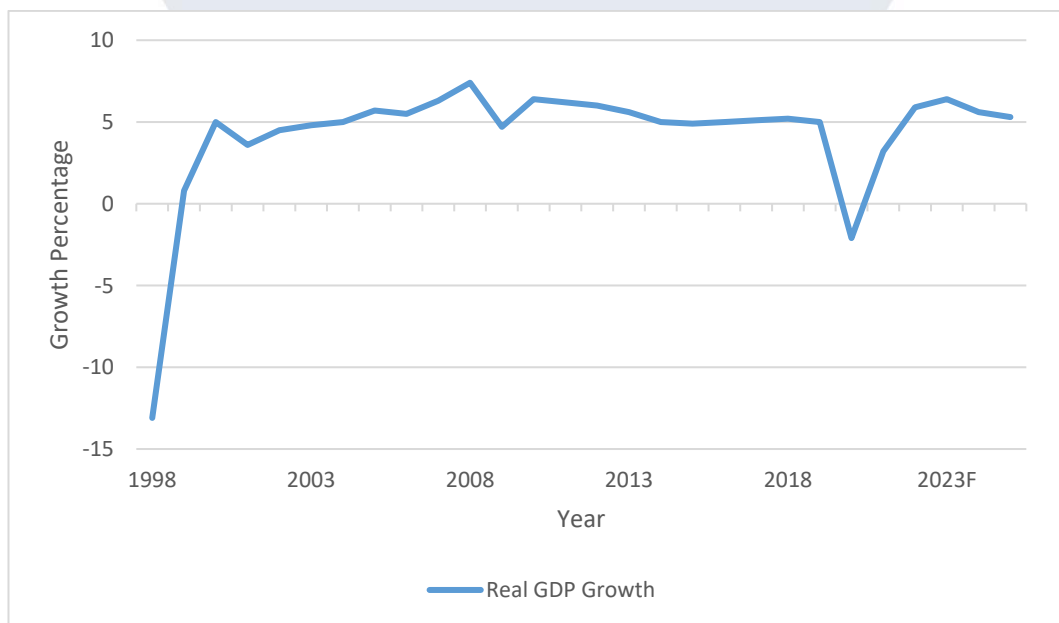


# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

The economic situation in Indonesia has been swinging for the last couple decades. Despite being in a financial crisis in 1998, Indonesia recovered a 7.4% economic growth a decade later in 2008. This situation continued consistently up until 2012, since the commodities export trend ended that year. It had been giving constant growth at the average of 5,2% per year during the period 2012-2019. The country's GDP growth is currently at 3.2% post-COVID and is projected to have 5.3% by the end of 2025 (IMF, 2022).

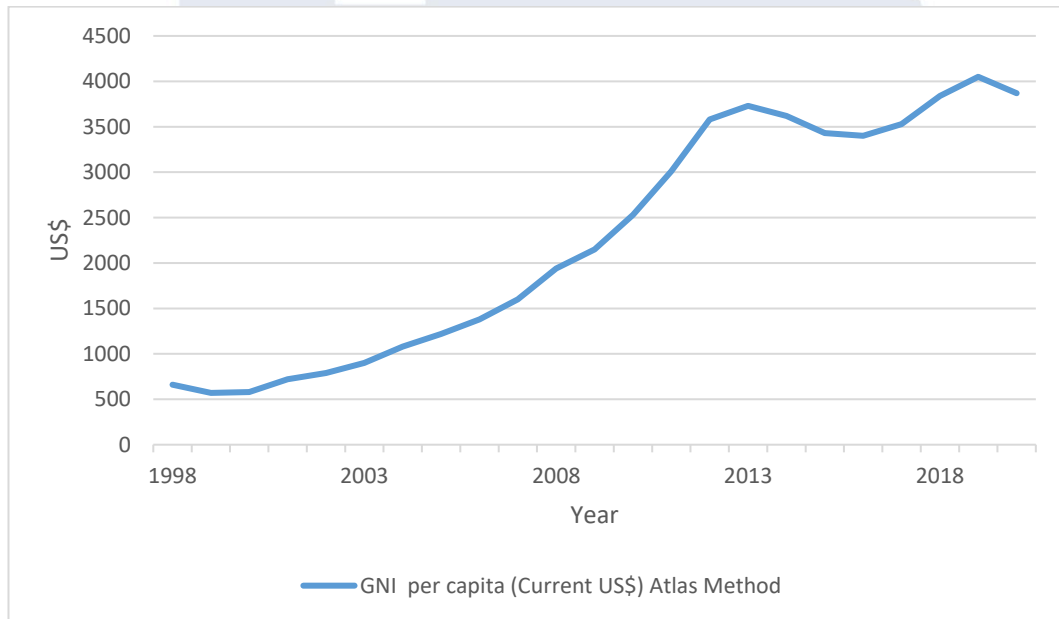


Source: IMF, 2022

Figure 1.1: Indonesia Real GDP Growth Percentage, 1998-2025F

One of economic growth measurements is through Gross National Income (GNI) per capita. GNI covers the equivalent to GDP with wages, salaries and property income which could be a measurement of income for the people in a specific county (Amadeo, 2022). According to the World Bank, Indonesia has

recently been classified economically as lower-middle income, with a GNI per capita of US\$ 3,870 using the atlas method (current US\$). Despite the classification, Indonesia reached an all-time peak the previous year by the number US\$ 4,050 which indicates that Indonesia will be moving up in the classification in the near future.



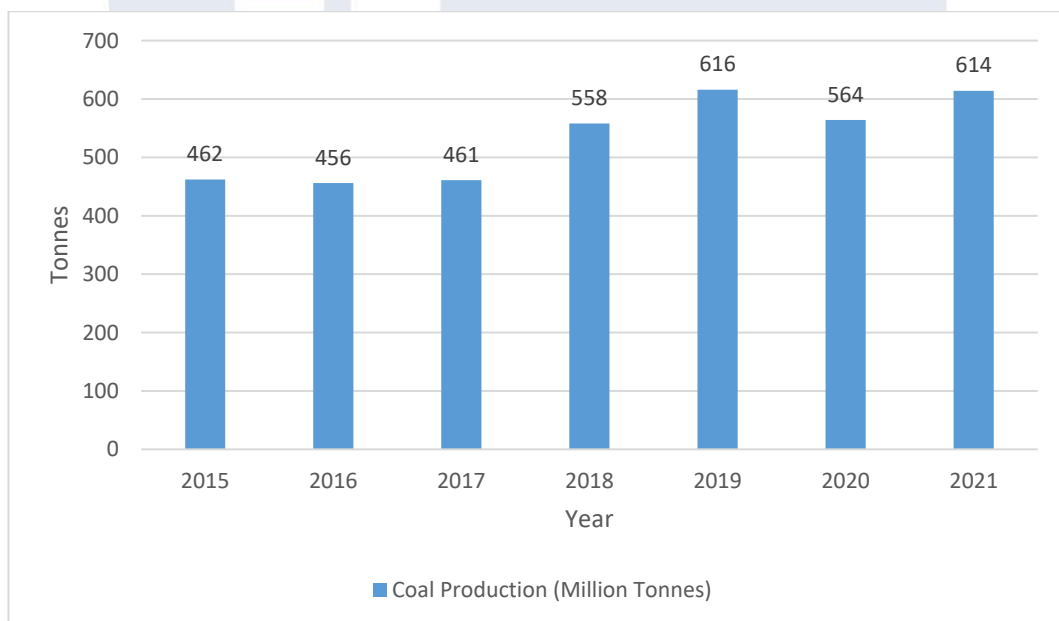
Source: World Bank, 2020

Figure 1.2: Indonesia GNI per Capita, Atlas Method, 1998-2020

Indonesia's continuous uptrend of its income reflected on its energy consumption. Energy production in the third quarter of 2021 had managed to increase 3.7% compared to the same period the previous year which is followed by its consumption with an increase of 3.4% (IESR, 2022).

According to Law Number 30 of 2007 Article 1 Paragraph 1,2,3, Energy is the ability to do work which can be in the form of heat, light, mechanics, chemistry, and electromagnetics (Government's Law, 2007). An energy source is something that can produce energy either directly or through a conversion or transformation process. Energy resources are natural resources that can be utilized both as energy sources and as energy. (Government's Law, 2007)

Coal, being one of the most important energy sources, has been rebounding its production with its increasing trend for the past years. During the past 5 years, the production has grown 34.64% increasing from 456 million tonnes in 2016 to 614 tonnes in 2021. (MEMR, 2021). It reached its peak in 2019, for 616 million tonnes, and dropped 2 million tonnes to 2021. During those years, it has also reached lowest bottom at 456 million tonnes in 2016, which indicates that to the similar number, increasing from 456 million tonnes to 614 million tonnes has indicated it has been growing rapidly in production side (Figure 1.3)



Source: MEMR, 2021

Figure 1.3: Coal Production Trend in Indonesia 2015-2021

However, the policy of the Indonesian government stated to execute a zero emissions program by 2050. According to IESR (2022), Indonesia has to have these in order to fully execute the program, which by 2030, Indonesia will have to see:

- 1) At least the majority of electricity is sourced from renewable energy, which will scale up from 14% as for today. In this case, the solar power contributes the most to the total power generation, for about 24% (IESR, 2022)

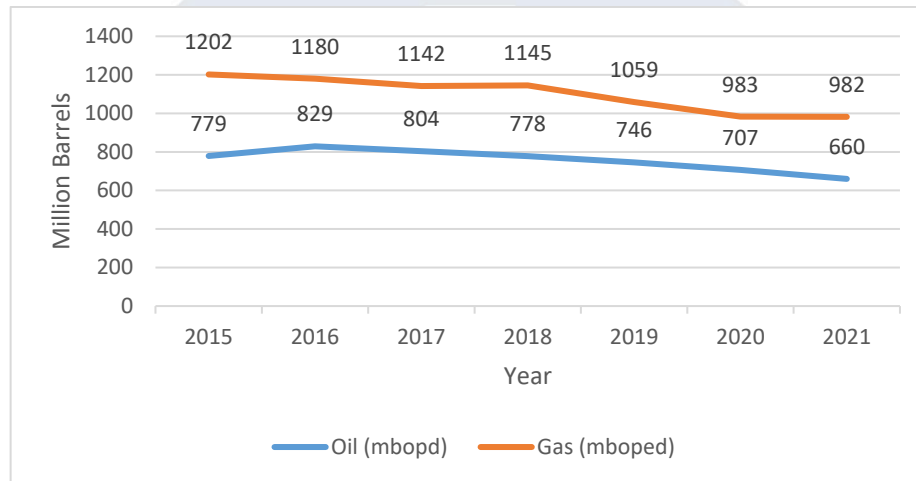
- 2) The capacity increase in the installation of renewables. Tremendously 140 GW compared to current 10 GW. The urgency is that the Solar PV needs to grow around 10 GW each year. (IESR, 2022)
- 3) By 2025, the Coal moratorium should have peaked. (IESR, 2022)
- 4) With an estimated 60% share of the motorcycle market and 10% of the passenger car market, electric vehicles are on the rise. Electric heating is used in the industrial market to provide low-temperature heat, with installations reaching 54 GW. (IESR, 2022)

Due to this trend which is moving away further from coal, it might put Indonesia's coal future in danger as it might decline. Despite the increasing trend up until 2025, the global coal demand will start to decline by roughly 9% in 2030 and will be halved in 2050. The condition will happen if all of the countries participated fully. (IESR, 2022)

The coal reference price (HBA) in Indonesia recently set a new high at around US\$ 215/tonne. This price was recorded in November 2021. It is mainly affected by China and India. Indonesia also increased its export by around US\$ 17.2 billion. This number is a significant increase compared to the previous year, with a 158.4% increase. It is also 13% of total export in Indonesia. The shift to clean energy is made simple, as Domestic Market Obligation is hard to achieve considering the cap price of the coal for the domestic market is only capped at US\$ 70/tonne. (IESR, 2022)

On the other hand, another important energy source which is gas and oil has been showing a declining trend. For the oil sector, despite showing its uptrend on 2015 towards 2016, the trend has been a downfall up until 2021, scoring 829 mbopd (million barrels' oils per day) to only 660 mbopd, which is a 20.39% decrease. The gas section showed no difference. It has been declining over the years since 2015, scoring 1202 mboepd (million barrels' oils equivalent per day) to 982 mboepd in 2021 (Figure 1.4). Despite the declining trend, Indonesia's government stays

optimistic. MEMR (Ministry of Energy and Mineral Resources) targeted 1 mbopd for oils and 12 bscfd (billion standard cubic feet per day) by 2030 (MEMR, 2021).



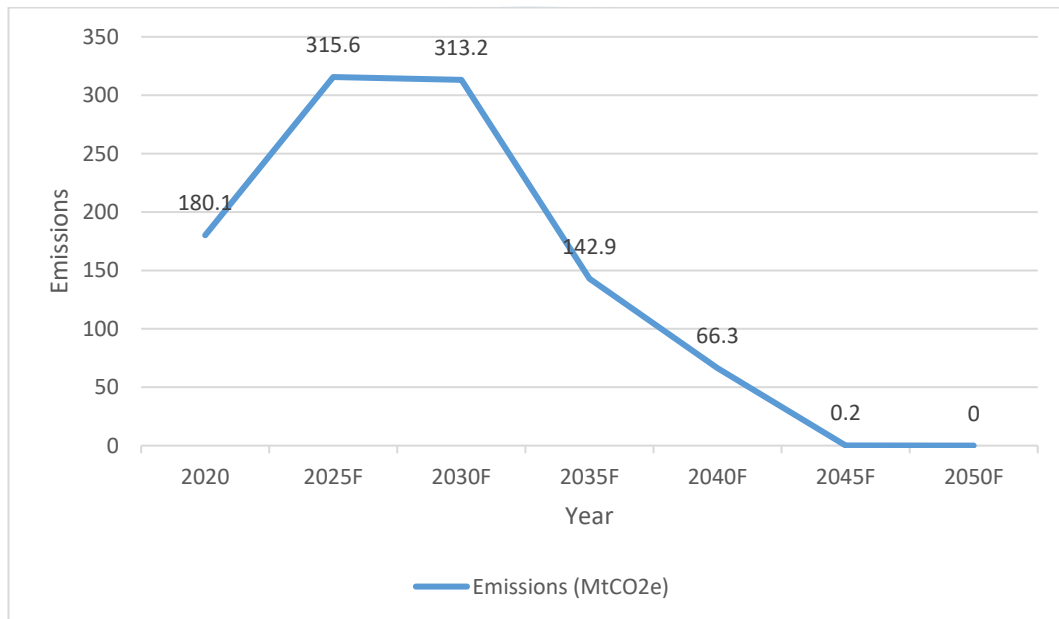
Source: MEMR, 2021

Figure 1.4: Oil and Gas Lifting Realization 2015-2021

By injecting CO<sub>2</sub> captured by carbon capture, utilization, and storage (CCUS) systems into oil and gas reservoirs, the government aims to meet these targets while reducing emissions from the oil & gas sector. CO<sub>2</sub>-EOR/EGR is a method of recovering oil and gas using carbon dioxide. Such a method will likely face technical and financial obstacles because cost and the geological and petro physical characteristics of the reservoir affect project feasibility. (IESR, 2022)

Electricity participated crucially in the program. More than 40% of total emissions in the energy sector is overtaken by electricity, leaving a huge concern to execute the zero emission program. According to IESR (2021), Indonesia is expected to no longer use fossil fuels by the 2045 with at the bare minimum 47% of its power should be renewables by the year 2030.

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Source: IESR Estimation, 2021

Figure 1.5: Emissions Amount 2020-2050F

According to Figure 1.5, Government also expected to have the emission peaked at 2025. Having peaked from 180.1, it is expected to have 0 emission by 2050 by executing the programs, with its progress been drastically seen 15 years prior to 2050 (IESR, 2021)

COVID-19 put a noticeable amount of impact globally and the energy demand itself for Indonesia. The fight against COVID-19 pandemic has forced the world to limit the economic activities which endanger the development of economy globally and the energy demand. The energy demand was declined by 5.3% in 2020 compared to 2019. For coal and oil section, it declined with a reduction rate of 6.7% and 8.5% in 2020. Along the way, the abatement of gas demand was only 3.3%. On contrary, it has shown growth on the renewable energy with 0.9% growth. The coal demand will never recover its 2019 level and could even double current decline. This will significantly impact Indonesia coal export and revenue, as Indonesia is one of the largest coal exporter. Energy consumption declination is also nearly the same trend, as it is declining by 16.8% in the third quarter of 2020 compared to the



same period the year before. This also impacted Indonesia's State Owned Enterprise (SOE). The fluctuation of exchange rate and fall of Indonesia Crude Price (ICP) also the declining of energy demand itself has made Pertamina recorded a loss of Rp 11.13 trillion on the second quarter of 2020. The overall investment for the energy sector has identified as a downturn. Specifically, the coal sector with only 50.3% realization against the government's goal for 2020 (IESR, 2022)

The society seems to be interested in the transition to renewable energy. According to IESR (2022), 80% of 1000 Indonesian respondents realized that the phenomenon is urgently needed changes due to climate change. However, 31% address that the government has responded to the problem adequately. People are aware of the phenomenon and deprioritized oil, gas and coal as energy sources. In fact, 56% agreed to stop using coal to generate electricity.

However, people are less eager to the increase in prices of electricity, which directly affects society. 43% of respondents heavily disagreed the surcharge on coal power generation. Only 23% of respondent willing to pay 5% increase in the tariffs. Major proposition is not willing to pay at all. The human capital itself is not ready to renewable energy (IESR, 2022). The companies and government need to establish a clear strategy for it. For example, PT Adaro Energi Indonesia Tbk (ADRO) is actively looking for renewable power projects in order to have a balanced mix of energy in the portfolio. Its field of mix are as following biomass, wind power and solar. ADRO is increasing its capacity expansion of solar PV from 130kWp to 597 kWp. In relation to the highly pressured coal price too, ADRO has strategized coal supply by doing efficiencies on the distribution, which includes reducing time cycle, energy consumption, and efficient expenses. This will fill up the regulated Domestic Market Obligation (DMO) without any increase in terms of domestic price to the domestic energy suppliers to the society (ADRO Annual Report, 2021). Thus, the increase of energy prices is withholding.

With its production on the coal sectors, alongside the reducing emission towards the energy consumption and focusing on renewable energy, the

government needs working companies to take part in the processes. There are mining companies, coal production companies, energy conversion companies, and etc., which are all categorized in the energy sector companies. The related companies will need more capital investments to do expansions, which will relate to the topic of capital structure as a crucial part to execute the plan itself.

The pandemic itself also impacted a lot of companies financing status, which will also be spread to the operational, financial, and also the other sectors. A decline in credit growth and a decrease in banking profitability were the results of the COVID-19 pandemic (Nofialdi & Yumna, 2021). Especially for companies whose capital dominates their funding, this situation is not good. This condition eventually causes companies to spend more selectively, utilizing existing funds only for activities considered critical to the company's operations. It is reasonable for the government to implement a social distancing policy in order to stop COVID-19 from spreading. It is reasonable for the government to implement a social distancing policy in order to stop COVID-19 from spreading. The most difficult situation for a company is social distancing, which can halt all its activities from the company's standpoint (Nofialdi & Yumna, 2021). In such a scenario, the company manager has a heavy duty to keep his company operating to produce the best products to retain consumers to get maximum profits. For the company to achieve its goal, they must regulate the composition of the capital they need, both through foreign capital as well as their own capital. By regulating the composition of the company's capital, we can regulate its capital structure.

Table 1.1. Analysis of Capital Structure (Debt / Assets) of Energy Companies listed in IDX Before and During the COVID-19 Pandemic

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	2019			2020		
	Q3	Q4	Q3-Q4	Q1	Q2	Q1-Q2
BYAN	0.45	0.52	-0.07	0.58	0.55	0.03
ADRO	0.37	0.45	-0.07	0.43	0.41	0.02
TCPI	0.54	0.53	0.01	0.51	0.5	0.01
PTBA	0.31	0.29	0.02	0.28	0.41	-0.13
PGAS	0.55	0.56	-0.01	0.59	0.58	0.01
			-0.02			-0.012

Source: IDX, 2019-2020

Table 1.1 provides the information of the capital structures of several Energy sector companies listed on the Indonesia Stock Exchange ranging Q3 to Q4 2019 (before COVID-19) and ranging Q1 to Q2 2020 (during the COVID-19). It can be concluded that there was an increase of an average 0.02 or 2% before COVID-19. This stroke different during the COVID-19 which increase only 0.012 or 1.2% during the COVID-19. This phenomenon leads to general companies for energy sector tend to have their capital structure lowered.

Profitability is one of the most important determinants of the capital structure of companies (Neves et al., 2020). It is undeniably the determinants in generating profits for the longevity of a company. Energy consumption has increased on every type of during COVID 19 (MEMR, 2021). This impacts the generated profits indirectly due to increased demands.

Table 1.2. Energy Consumption by Type 2019-2020 (Thousand BOE)

Year	Biomass	Coal	Natural Gas	Fuel	LPG	Electricity	Others	Total
2020	65,209	113,416	97,476	222,339	68,372	159,121	179,664	905,597
2021	60,392	87,820	89,557	235,941	72,921	168,375	194,248	909,254

Source: MEMR, 2021

The table 1.2 shows that the energy consumption during COVID-19 has increased approximately 3.6 thousand BOE. Fuel, LPG, Electricity, and Others (Gasoil, Bio-diesel, Blending Products, and Biogas) shows an increase on consumption, whereas biomass and coal seems to show a decrease.

Table 1.3. Analysis of Profitability (ROA) of Energy Companies listed in IDX Before and During the COVID-19 Pandemic

	2019			2020		
	Q3	Q4	Q3-Q4	Q1	Q2	Q1-Q2
BYAN	0.27	0.24	0.02	0.04	0.07	-0.03
ADRO	0.09	0.06	0.03	0.02	0.03	-0.01
TCPI	0.07	0.09	-0.02	0.01	0.01	0
PTBA	0.17	0.21	-0.04	0.04	0.07	-0.03
PGAS	0.04	0.04	0.00	0.02	0.03	-0.01
			0.00			-0.016

Source: IDX, 2019-2020

Table 1.3 provides the information of the profitability of several Energy sector companies listed on the Indonesia Stock Exchange ranging Q3 to Q4 2019 (before COVID-19) and ranging Q1 to Q2 2020 (during the COVID-19). It can be concluded that there was a consistent average number before COVID-19, which means that companies have consistently generating profits to cope up with the operational activities. But during COVID-19, profitability has increased 0.016 averagely, or 1.6% meaning that the profit increases during the time period.

Table 1.4. Analysis of Asset Tangibility of Energy Companies listed in IDX Before and During the COVID-19 Pandemic

	2019			2020		
	Q3	Q4	Q3-Q4	Q1	Q2	Q1-Q2
BYAN	0.30	0.26	0.04	0.25	0.24	0.01
ADRO	0.24	0.24	0.00	0.25	0.25	0
TCPI	0.66	0.65	0.02	0.66	0.67	-0.01
PTBA	0.28	0.28	0.00	0.27	0.28	-0.01
PGAS	0.39	0.37	0.02	0.40	0.35	0.05
			0.014			0.008

Source: IDX, 2019-2020

Table 1.4 provides the information of the asset tangibility of several Energy sector companies listed on the Indonesia Stock Exchange ranging Q3 to Q4 2019 (before COVID-19) and ranging Q1 to Q2 2020 (during the COVID-19). This shows that before COVID-19, companies tend to have lower asset tangibility with an average of 0.014 or 1.4%, whereas during the COVID-19 it is 0.008 or 0.8%.

Table 1.5. Analysis of Firm Size of Energy Companies listed in IDX Before and During the COVID-19 Pandemic

	2019			2020		
	Q3	Q4	Q3-Q4	Q1	Q2	Q1-Q2
BYAN	20.81	20.97	-0.16	10.01	9.91	0.1
ADRO	15.80	15.79	0.00	11.64	11.47	0.17
TCPI	14.90	14.94	-0.04	8	7.98	0.02
PTBA	17.04	17.08	-0.03	10.23	10.2	0.03
PGAS	22.71	22.72	-0.01	11.77	11.6	0.17
			-0.048			0.098

Source: IDX, 2019-2020

Table 1.5 provides the information of the firm size in of several Energy sector companies listed on the Indonesia Stock Exchange ranging Q3 to Q4 2019 (before COVID-19) and ranging Q1 to Q2 2020 (during the COVID-19). This shows that before COVID-19, companies tend to increase its assets with the average of 0.048 increase. The COVID-19 situation has made worse for the companies which they chose to be more assertive thus declining its assets to 0.098 difference averagely.

Dewi et al. (2021) explain that It is possible for companies to use capital structure research to inform their policy decisions. A good example is the significance of financial statements' asset composition. Capital structures is meant to be examined concerning the mix in debt and equity correlating firm's capital structure influence its value in the market. Firms with a high debt to equity ratio have an important impact on their cost of capital and value of their firm. To maximize shareholders' wealth, firms should use more debt capital in their capital structure because interest payments are tax-deductibles and influence the debt's effective cost. The benefit of equity holders is not shared with debt holders as debt holders receive a fixed return. However, the more debt capital the firm has, the riskier it is, therefore the higher its cost of capital. Identifying the principal elements of capital structure, measuring these elements precisely, and determining the optimal capital structure for an organization at a particular time is therefore crucial (Abeywardhana, 2017).

Profitability is the main objective of all business companies. It is the main reason that businesses thrive in the long run. Profitability is taking account of income and expenses (Hofstrand, 2009). Therefore, profitability ratio is a measurement ratio to take account of a company in obtaining revenue and profit with a certain level of percentage as an acceptance (Husain et al., 2020). The most common ratios are Return on Asset (ROA) and Return on Equity (ROE). Investors are encouraged to make decisions when a company has a positive profitability ratio. Profitability is unarguably one of the determinants for the leverage itself, as concluded by many authors but remains inconclusive. Most of the authors, such as Neves et al. (2020), Alipour et al (2015), Acarravci (2014) and Ramjee & Gwatidzo (2012) have all concluded that the profitability has negative and significant effect on leverage. According to the pecking theory itself, the more profit a company gain, the less debt they need to use. Thus, it is common to see the result being negative. On the other hand, according to the tradeoff theory, which is also in line with the research conducted by Akinyomi & Olagunju (2013). It is stated that the profitability has positive with no significant impact to the firms in Nigeria. This is proven that the firms in Nigeria have more leverage when they earn more due to shielding from taxes.

Asset tangibility is commonly known as the fixed assets (Arilyn, 2020). Asset tangibility is expected to correlate positively with debt. It provides collateral which reduces credit risk and also bankruptcy cost. The trade-off theory implies that tangible assets have lower financial distress cost which results in the increase of debt's capacity. Many researches have the similar result, which are as following Neves, et al (2020), Akinyomi & Olagunju (2013), Ramjee & Gwatidzo (2012) and Saif-Alyousfi et al (2020). The pecking order assumes the negative impact between the tangible assets and leverage. It is expected to reduce information asymmetry. A company with a high proportion of tangible assets on its balance sheet has an easier time valuing its assets because the stakeholder's information is more symmetrical. Therefore, equity issue signals will be given less weight, and the firm's value will

not be reduced as a result. The result of negative relationship can be found on the research conducted by Acarravci (2014).

A firm's capital structure has been considered to be influenced by its size (Hofstrand, 2009). Large companies use more debt due to the bigger power in negotiation with the creditors. They also tend to give information and obtain more reliability from the creditors. The size of a company itself is measured in total assets (Sogorb-Mira, 2005). As a result, smaller companies lack financial transparency and are owned and managed. (Serrasqueiro et al., 2016). The research itself has various results. Neves, et al. (2020) stated that for larger enterprises, its impact is not significant but its positive impact can be found for the SMEs firms. Similar result can be found on a research by Ramjee & Gwatidzo (2012). However, negative relationship is also found on research conducted by Akinyomi & Olagunju (2013), Alipour et al. (2015) and Acarravci (2014).

To conduct this research, the researcher plans to take firms that are publicly disclosed in the Indonesia Stock Exchange, specifically a comparison on IDXENERGY to LQ45. Stock market indexes can be a determinant for investors when making capital market decisions (Kurniasari & Reyes, 2020). Indonesia Stock Exchange has 38 stock indices, some of which are the Composite Stock Price Index (JCI), LQ45, IDX Quality30, IDX Value30, and IDX Growth30. The Composite Stock Price Index is the main index that is generally known by investors, namely an index that measures the performance of all stocks in the context of prices, which are listed on the Indonesia Stock Exchange. LQ45 is an index that investors also known as an index that measures the performance of 45 stocks in terms of price, with the highest liquidity and the largest market capitalization, and is also supported by good company fundamentals. IDX Quality30 is an index that measures stock price performance as well as of 30 stocks historically assessed from good profitability, solvency and profit growth with transaction liquidity as well as good financial performance. IDX Value30 has a similar concept to IDX Quality30, which is an index that measures the price performance of 30 stocks that have low



valuations with transaction liquidity and good financial performance. IDX Growth30, is also an index that measures the price performance of 30 company shares that have net profit growth that has a relative price trend and income with transaction liquidity and financial performance is also good.

IDXENERGY was launched on January 25<sup>th</sup>, 2021, as an index measuring the performance of all stocks in the Energy Sector based on the IDX Industrial Classification. As summarized, it is undeniable that looking at Indonesia's future chance of getting more and more people to enter middle class, the energy demand will still rise accordingly. It is similar when the economic growth is boosted by realization of investment as well as rising demand from the market. Electricity and fuel demand will rise accordingly due to a wide range of goods and services produced. Tourism, FnB, production factories will all be needing production to boost economy in Indonesia. Therefore, the energy demand is rising. Public investment towards companies in the sector would help in coping with the demand. It is then established IDXENERGY as an investment index measuring performance of all stocks in Energy sector.

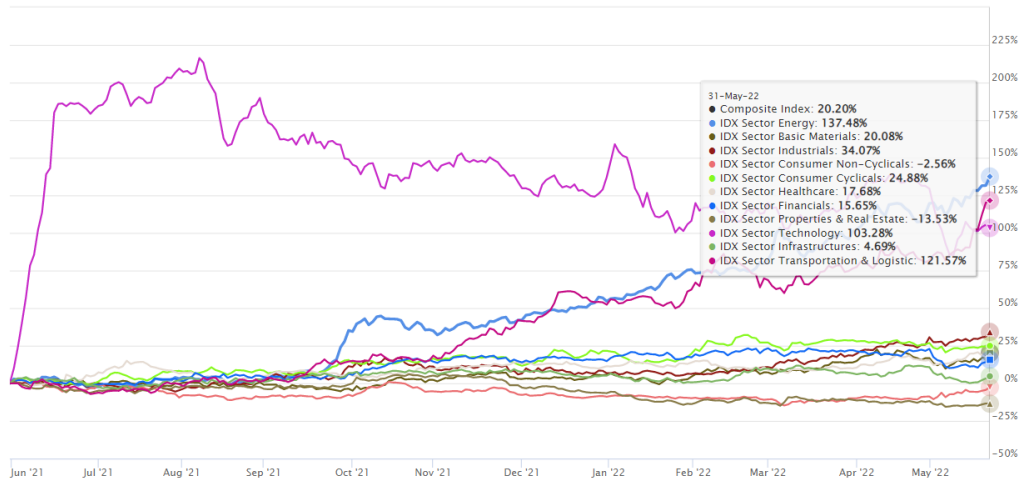
On the other hand, LQ45 is an index that investors also known as an index that measures the performance of 45 stocks in terms of price, with the highest liquidity and the largest market capitalization, and is also supported by good company fundamentals. It is selected from 80 stocks of the IDX80 and is filtered by its liquidity and fundamentals (IDX, 2021). The purpose itself is to provide an objective and reliable information for financial analyst, investment managers, investors and other observers to monitor price movement. The index was launched on February 1997.

U N I V E R S I T A S  
M U L T I M E D I A  
N U S A N T A R A



Jakarta Composite Index and Sectoral Indices Movement

31 May 2021 – 31 May 2022



Source: IDX, 2022

Figure 1.6 Price performance of sectoral indices

Based on Figure 1.6, the growth of each sectors have been competing on with another. As of May 2022, compared to same period last year. IDXENERGY resulted on 137,48% growth, which is the highest over the other sectors, which followed by IDXTRANS with 121.57% growth and IDXTECHNO with 121.57% growth. The rest of the sectors averaged 12.62% growth. LQ45 itself only shown 18.92% growth despite having the most actively traded stocks in the market itself. (Table 1.6).

Table 1.6 Indonesia Investment Indices Growth May 2021- May 2022

Index	Growth	Rank
IDX Sector Energy	137.48%	1
IDX Sector Transportation & Logistic	121.57%	2
IDX Sector Technology	103.28%	3
Development Board Index	40.56%	4
IDX SMC Composite	37.99%	5
IDX Sector Industrials	34.07%	6
IDX High Dividend 20	30.66%	7
IDX Value30	26.95%	8
IDX Sector Consumer Cyclicals	24.88%	9
Indeks infobank15	24.51%	10

SRI-KEHATI Index	22.54%	11
BISNIS-27	22.36%	12
Pefindo I-Grade	20.76%	13
IDX BUMN20	20.26%	14
Composite Index	20.20%	15
IDX Sector Basic Materials	20.08%	16
IDX SMC Liquid	19.87%	17
Indeks Saham Syariah Indonesia	19.80%	18
Indeks Investor33	19.68%	19
Indeks IDX30	19.01%	20
LQ45	18.92%	21
Main Board Index	18.67%	22
IDX Quality30	18.56%	23
IDX Sector Healthcare	17.68%	24
Indeks IDX80	17.54%	25
PEFINDO25 Index	16.93%	26
KOMPAS100	16.69%	27
Indeks MNC36	16.59%	28
IDX Sector Financials	15.65%	29
IDX Growth30	15.33%	30
IDX ESG Leaders	11.53%	31
IDX-MES BUMN 17	9.93%	32
SMinfra18	8.95%	33
Jakarta Islamic Index	8.22%	34
Jakarta Islamic Index 70	4.97%	35
IDX Sector Infrastructures	4.69%	36
ESG Sector Leaders IDX KEHATI	0.00%	37
ESG Quality 45 IDX KEHATI	0.00%	38
IDX Sector Consumer Non-Cyclicals	-2.56%	39
IDX Sector Properties & Real Estate	-13.53%	40

Source: IDX (2022)

This research will be based on the research that was conducted by Neves et al. (2020) with a few differences. Therefore, the comparison will be made between IDXENERGY and LQ45 considering that LQ45 is a benchmark for companies that has good fundamentals with a lot of sectors and IDXENERGY which will face significant change that will affect its capital structure. Based on the research background, the author will conduct a research entitled “The Study of Return on

Assets, Asset Tangibility, and Firm Size as the Determinants on Capital: A Comparative Research on IDXENERGY to LQ45 during COVID-19 Pandemic”

## 1.2 Research Question

These are the following research questions based on the research background:

- Is Return on Asset significantly affecting Overall Leverage towards the firms in IDXENERGY?
- Is Asset Tangibility significantly affecting Overall Leverage towards the firms in IDXENERGY?
- Is Firm Size significantly affecting Overall Leverage towards the firms in IDXENERGY?
- Is Return on Asset significantly affecting Overall Leverage towards the firms in LQ45 which excluded the same firms listed in IDXENERGY?
- Is Asset Tangibility significantly affecting Overall Leverage towards the firms in LQ45 which excluded the same firms listed in IDXENERGY?
- Is Firm Size significantly affecting Overall Leverage towards the firms in LQ45 which excluded the same firms listed in IDXENERGY?
- Are there any differences comparing these variables between the firms in LQ45 which excluded the same firms listed in IDXENERGY and IDXENERGY?

## 1.3 Research Purpose

These are the following research purpose based on the research questions:

- To discover the effect of Return on Asset on Overall Leverage towards the firms in IDXENERGY

- To discover the effect of Asset Tangibility on Overall Leverage towards the firms in IDXENERGY
- To discover the effect of Firm Size on Overall Leverage towards the firms in IDXENERGY
- To discover the effect of Return on Asset on Overall Leverage towards the firms in LQ45 which excluded the same firms listed in IDXENERGY
- To discover the effect of Asset Tangibility on Overall Leverage towards the firms in LQ45 which excluded the same firms listed in IDXENERGY
- To discover the effect of Firm Size on Overall Leverage towards the firms in LQ45 which excluded the same firms listed in IDXENERGY
- To discover the similarity and the difference comparing variables between firms in LQ45 which excluded the same firms listed in IDXENERGY and IDXENERGY

#### **1.4 Research Benefit**

##### **1.4.1 Academic Benefit**

This research is expected to add insight regarding related factors that affect the firm's capital structure and the variables used in the research can be used as a research reference to develop in future researches.

##### **1.4.2 Practitioner Benefit**

This research is expected to benefit practitioners as following:

1. For the investors, this research is expected to be added information as a factor to decide its investment decision regarding capital structure
2. For the government, it is expected within in the research that further regulation to be made more considerations as it will affect firm's capital structure.

3. For the companies, it is expected that the research will be beneficial on assisting the related firms to either create or improving a policy regarding the capital structures based on the affecting factors.

### **1.5 Research Limitation**

The scope of the research has the following limitations:

1. The independent variables included in the research are: Return on Asset (ROA), Asset Tangibility, and Firm Size.
2. The dependent variables included in the research is Overall Leverage.
3. The sample used in the research are the companies listed in LQ45 and the companies which are categorized as IDXENERGY from the year 2020 until the latest report the researcher could gather, which was the third quarter of 2021.
4. SPSS Version 25 is used to process the data related.

### **1.6 Research Report Systematic**

This research is sorted in the specific order as following:

#### **Chapter I: Introduction**

The researcher included the research background, research question, research purpose, research limitation and the research report systematics

#### **Chapter II: Literature Review**

The researcher included the theory regarding to capital firm, specifically to Return on Asset, Asset Tangibility, and Firm Size. The researcher also included the research model, hypothesis and previous researches related.

#### **Chapter III: Methodology**

The researcher included the explanations regarding the research object, research methodology, research variable, data collecting methodology, and the data analysis methodology.

#### **Chapter IV: Result and Discussion**

The researcher included the research result, which is presented in statistical result, the research interpretation and discussion.

#### **Chapter V: Conclusion**

The researcher concluded the research and included suggestions regarding future researches.

#### **References**

The researcher included references taken from journal articles, books, and websites.

#### **Appendix**

The researcher included the data used to process regarding the statistical results.

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