



LEVERAGE AND FINANCIAL PERFORMANCE OF PALM
OIL FIRMS: A COMPARATIVE ANALYSIS BETWEEN
MALAYSIA AND INDONESIA

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ABSTRACT

This study aims to investigate the relationship between Leverage and Financial Performance of Palm Oil Firms between Malaysia and Indonesia. This study used panel data from 24 palm oil firms in Malaysia that listed in the main board of Bursa Malaysia and 11 palm oil firms in Indonesia that listed in the Indonesia stock exchange. The timeframe for data collection is from 2013 to 2017. The dependent variable in this study financial performance proxy by return on equity (ROE) meanwhile the independent variables in the study is capital structure proxy by short-term debt (STD), long-term debt (LTD) and total debt (TD). The findings on Malaysian palm oil firms indicates that STD and TD have negative relationship with ROE, whereby LTD have a significant negative relationship with ROE. Meanwhile, the findings on Indonesian Palm oil firms reveal that STD and TD have a significant negative relationship with ROE, whereby LTD have a negative relationship with ROE. The findings of the study suggest that the financing pattern of Palm oil firms in Malaysia and Indonesia are in line with pecking order theory. Profitable firm prefer to finance its operation and investment opportunity using retained earning.