



PROFIT MAXIMIZATION THROUGH CAPITAL STRUCTURE MANAGEMENT IN BANKING SECTOR
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PROFIT MAXIMIZATION THROUGH CAPITAL STRUCTURE MANAGEMENT IN BANKING SECTOR

Empirical Evidence from Indonesian Public Banks

Bachelor Thesis International Business and Economic Business

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Abstract

This study investigates the effect of capital structure management on profitability in Indonesian banking sector during 2006 to 2015. The result shows a positive correlation between capital ratio and bank profitability in terms of ROE. When stock's abnormal return represents profit, a different relationship is observed. Other determinants of capital structure such as non-performing loan and firm size show a significant proof of their negative interaction to profitability. Loan share is found to have a positive impact on ROE exclusively to big banks while an unclear relationship is found between leverage ratio and profitability.