

ABSTRACT

The purpose of this research is to analyze the reciprocal influence between capital structure and firm performance on affiliated and non affiliated firms. The capital structure and firm performance that measured by DEA are the endogenous variables, while insider ownership, size, profitability, and dividend payout ratio are exogen variables in this research. The object of this research is all non financial companies that listed in BEI during period 2011-2015.

Multiple linear regression and 2SLS methods used to test the hypotheses, but 2SLS can't be taken as a consistent and efficient estimation because several factors, which are not qualify of hausman test and exoginitas test. Then, this study used the measurement of the determined coefficients, F statistical test, and t statistical test with multiple regression.

The results of this study found that capital structure has a positive influence but not significant to the firm performance, and the firm performance has a positive influence but insignificant to capital structure in affiliated firms. The other results are capital structure has a negative significant to the firm performance, and firms performance has a negative significant to capital structure in non affiliated firms.

Keywords: Reciprocal Influence, Affiliated Firm, Non Affiliated Firm, Capital Structure, Firm Performance, Efficiency, DEA, Insider Ownership, Size, Profitability, Dividend Payout Ratio (DPR), 2SLS.