Abstract

The information of the relationship of firm's internal factors and firm performance can kindly help the manager of finance department in a company, to make decision for the right or proper capital structure. This study aims at examining the effect of firm's internal factors to firm performance: as a case study of Real Estate in Chinese stock exchange during 2009 and 2012. There are eight independent variables (debt ratio, debt to equity ratio, short-term debt ratio, long-term debt ratio, size, growth opportunity, asset tangibility ratio, and age) and three dependent variables that will determine the relationship to the performance of firm in this study.. The dependent variables in this study are measurements of firm performance that is classified as financial performance (return on asset, return on equity) and market performance (Tobin's Q). The most common method to conduct research is Ordinary Least Square (OLS) what is also used in this study. And the multiple regression models is adopted in this research to test hypotheses that firm's internal factors impact on firm performance. The data conclude four years database from year 2009 to 2012, on a total of 117 firms in both Shanghai stock market and Shenzhen stock market of China.

The result showed that in year 2009, debt ratio and debt to equity ratio has significant relationship with return on equity; and short term debt ratio, long term debt ratio and asset tangibility ratio has significant relationship with Tobin's Q. In year 2010 and 2011, debt ratio, short term debt and long term debt has significant relationship with return on equity; and debt to equity ratio, short term debt ratio, long term debt ratio and asset tangibility ratio has significant relationship with Tobin's Q. In year 2012, debt ratio, short term debt, long term debt and sales has significant relationship with return on equity; and debt to equity ratio, short term debt ratio, long term debt ratio and asset tangibility ratio has significant relationship with Tobin's Q. In the four years between 2009-2012, long term debt ratio has significant relationship with return on equity; and debt to equity ratio, short term debt ratio, and long term debt ratio and has significant relationship with Tobin's Q. Researcher suggest that further studies can apply other dependent variables such as gross margin, net profit, and other independent variables such as location, business groups, GDP, unemployment, government policy, economy and political stability, inflation rate, real interest rate, and CPI.