THE EFFECT OF DEBT TOWARD BALANCE SHEET EFFECTS ON THE MINING INDUSTRY IN INDONESIA

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ABSTRACT

Mining commodity prices plummeted in the middle of this decade as the world economic slowdown and the financial crisis is still going on in several countries. The mining industry generally rely on debt in its operations, both in foreign currencies, mainly the US dollar, and the domestic currency. The purpose of this study was to look at the impact of the debt by proxy Debt in US Dollar (DOL), Total Debt (TD), amount of debt adjusted real interest rates (DOMLOG) and Debt in Rupiah (DOM) toward fixed assets as a proxy of the balance sheet effect of the mining industry in Indonesia. Total samples ware 26 mining companies in Indonesia with the period 2013-2015. By using the processing SPSS.ver 21. This study showed that the DOL, TD, DOM have an influence on the balance sheet effect while DOMLOG no effect. It can be concluded that companies using Debt in Foreign Currency (DOL)is the main cause of balance sheet effect. Debt in US dollars (DOL) will increase in the amount of debt recorded in accountancy, and its will increase The Total Debt (TD). However, Debt in Rupiah (DOM) influence toward Balance Sheet Effect because the Rupiah is depreciated toward the US Dolar when the investement in in fixed assets using US Dolar. To minimize this effect, be advised companies to do the hedge against foreign currency loans in foreign currency.

Keywords : Balance sheet effect, Debt