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SPEED OF ADJUSTMENT TOWARDS THE LEVERAGE TARGET PLANTATION COMPANIES IN INDONESIA

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ABSTRACT: *The aim of this paper is to analyze the speed of adjustment towards the leverage target of plantation companies especially oil palm in Indonesia. The data which were used in this paper covered the years of 2009 - 2013. The used sample of the plantation companies was listed on the Indonesia Stock Exchange (IDX) and the analysis was based on the partial adjustment model. The results showed the plantation company's internal characteristics in which the financing deficit and market capitalization affected the speed of adjustment, whereas macroeconomic condition relatively did not affect at all. This was due to the long-term investment of oil palm plantation. Although macroeconomic factors in this paper relatively did not affect the speed of adjustment of the capital structure of the oil palm plantation companies, the government must keep macroeconomic in a good condition to support the business. If an economic crisis happens, it will adversely affect the palm oil business and the financial aspect will affect the condition of the company's capital structure to make adjustments to the target.*

KEYWORDS: Capital Structure, Partial Adjustment Model, Oil Palm Plantation Companies, Speed of Adjustment.

INTRODUCTION

A company has tried to obtain an optimal capital structure in order to increase the value of the company (Manurung 2012). Optimal capital structure is capital structure that minimizes the cost of capital use; on the other hand, it maximizes the company's value. The capital structure is dynamically adjusted to the investment options (Titman & Tsyplakov 2007). Structures with the use of long-term debt will increase the company's value due to the influence of tax protection on interest payments. The use of debt can be profitable for the company, but the use of high debt can lead to higher interest expense and increase the risk of the company.

A company has undertaken to make adjustments to the optimal capital structure targets. Speed of adjustment of the capital structure is influenced by certain factors, namely, a financial crisis (Ariel et al, 2008), an economies transition (Nivorozhkin 2004), macroeconomic conditions (Drobetz et al., 2007; Ariel et al., 2008; Cook & Tang, 2010; Sinha & Gosh 2010; Drobetz et al., 2013), a cash flow (Faulkender et al., 2012), a business cycle (Halling et al., 2012), and the characteristics of the industry or company (Flannery & Rangan 2006; Drobetz et al., 2007; Cook & Tang 2010; Mukherjee & Mahakud 2010;

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Reinhard & Li, 2010; Oztekin & Flannery 2012; Hardiyanto 2014). The adjustment of the capital structure is the company's efforts to achieve the optimal capital structure.

Various studies on speed of adjustment have been conducted by previous researchers in the Malaysia companies (Ariel et al., 2008; Haron & Ibrahim 2012), the small and medium enterprises in Spain (Aybar et al., 2011), the US companies (Byoun 2008; Cook & Tang, 2010; Elsas & Florysiak 2010), The British companies (Dang et al. 2012), The European companies (Drobetz et al., 2007), the Pakistan companies (Khalid 2011), the Indian companies (Mukherjee & Mahakud 2010), the corporate companies from the G-7 states (Drobetz et al., 2013), The Chinese companies (Jiang et al., 2010) and the Indonesian companies (Reinhard & Li, 2010; Hardiyanto 2014).

This study has a specific novelty in the sub-sectors of oil palm plantations. The research on speed of adjustment is very important to know the ability of plantation companies to achieve optimal target leverage. The faster the speed of adjustment, the better the company's fund system will be to adjust certain conditions. In addition, it is known that oil palm plantations are a long-term investment that will require adequate funding so that the company could run well. This study is more specific because it uses two main independent variables, namely, the external conditions and internal characteristics of oil palm plantations in Indonesia that have not been studied. This is in contrast to the research conducted by Reihard and Li (2010) in the period 1995 to 2007 focusing on all industries in Indonesia. In addition, Hardiyanto also performed the same thing in 2014. In another study conducted by Hastori (2015) in the period 2010 to 2013, he studied identical industry. However, this study was more extensive focusing on agency cost, corporate governance, and ownership concentration in the agro industry in Indonesia. The selection of oil palm plantation sub-sectors in this research was based on their roles which gave significant contributions to the regional economic growth and employment growth. Based on the data from Ditjenbun (2014), it was said that the plantation in terms of volume of total agricultural exports contributed 97.7% and the value contributed 96.3% in 2013 in which the total exports of agricultural products reached 23.89 million tons, in other words it was the same as US $ 22.2 billion. Moreover, the sub-sector of oil palm plantation was the flagship products of agriculture in Indonesia, which is currently the largest palm oil production in the world and has variety palm oil derivative products for other industries.

LITERATURE REVIEW

It was all from the theory of Modigliani Miller/MM (1958). It concluded that capital structure was irrelevant to the value of the company. Original model of MM was very limited, so the implication for the capital structure was the absence of adjustments to the capital structure target. In 1963, MM extended its model by including the corporate income and tax. This indicated that a debt could be a shield of the negative effects of the income tax. Kraus and Litzenberger (1973) then added the cost of bankruptcy. Static trade-off model used both of them, i.e., the benefits of debt and bankruptcy costs as a result of excessive debt. There were optimal capital structures, namely, the balance of bankruptcy cost and tax shield. The company had always been in the optimal leverage ratio, and it counterbalanced the shocks quickly demonstrated through infinite speed of adjustment.

Ficher et al. (1989) extended the theory of static trade-off by including the cost of adjustment. They analyzed the trade-off between the cost of adjustment and benefits from the presence of

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the capital structure target. Although the adjustment costs were low, the dynamic model of trade-offs led to large swings against the Debt to Equity Ratio (DER). However, this eventually predicted positive adjustment speed. The existence of adjustment costs on the company showed a large deviation from its leverage ratio target. The result showed that a company with the size in particular, the risks and characteristics of the debt showed a different speed of adjustment in which these factors would affect the cost which deviated from the target. According to Hackbarth et al. (2006), he stated that the model predicted the company in financing policies aligned to state of the economy when the macroeconomic affected the cash flow. The company showed a higher adjustment speed during a good macroeconomic situation compared to when the recession situation. In addition, the survey results also proved the existence of the capital structure target and the importance of speed of adjustment. Graham and Harvey (2001) surveyed 392 executives in the United States, and reported that 81% of companies chased the target Debt to Equity Ratio (DER).

Flannery and Rangan (2006) estimated a partial adjustment model and documented the speed of adjustment of 30% in the United States while Kayhan and Titman (2007) also did Ordinary Least Square (OLS) method and found that the speed of adjustment was slower at 10% per year for the book leverage and 8.3% for the market leverage. Based on GMM method, Lemmon et al. (2008) reported the adjustment speed by 20% annually for the book leverage. While Byoun (2008) states that the speed of adjustment was 20% when the company was under the target leverage ratio and 33% when the company was above the target leverage ratio. Oztekin latest research results and Flannery (2012) showed that countries with strong legal institutions also had an effective financial structure in which the financial system was better adjusted to the target leverage, 50% faster. Countries with weaker legal institutions (tight access to capital markets, high information asymmetry, and limited financial flexibility) mentioned that debt or equity was more difficult to achieve so that the speed of adjustment would be lower.

Cook and Tang (2010) then connected the speed of adjustment to macroeconomic conditions in which the higher speed of adjustment occurred during the macroeconomic conditions of a country in a stronger state. However, it really depended on the economic situation of that country. The amount of the adjustment speed varied from 15% to 50% per year on a sample of companies in the United States. In contrast to Halling et al. that (2011) reported that a lower speed of adjustment occured when the State was on recession. Flannery in different literature and Hankins (2013) investigated the heterogeneity of speed of adjustment at the enterprise level where the benefits and the cost varies according to the speed of adjustment of the gap leverage, operating cash flow, investment opportunities, access to markets and some elements of other market conditions. Furthermore, it also mentioned that the company on over-leveraged generally adjusted quickly while companies with large cash flow (positive or negative) made more aggressive changes to the leverage ratio, because the adjustment costs were divided by market transactions that related to the company's operating cash flow. According to Elsas and Florysiak (2011), they stated that the heterogeneity of the speed of adjustment depends on company size, growth opportunities and the classification of the financial industry in which companies with large deficits will adjust more quickly.

Oztekin and Flannery (2012) conducted comparative studies of capital structure adjustment between some countries by investing whether the agency can explain the variation in the estimated speed of adjustment. Research results stated that the legal and financial tradition was significantly related to the speed of adjustment of the company where good institutions

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with lower transaction costs will adjust the leverage of the company. This is in line and consistent with the dynamic trade-off theory of capital structure determination. From various earlier studies, it can be concluded that the speed of adjustment of the company will be different due to the characteristics of the company and macroeconomics conditions.

RESEARCH METHODOLOGY

Partial adjustment model is a dynamic model used to measure the speed of adjustment of the capital structure. Dynamic model used is based on Flannery and Rangan (2006); Arief et al. (2008); and Cook and Tang (2010) that use the following equation:

$$DER_{it} = \frac{Debt_{i,t}}{Equity_{i,t}} \quad (1)$$

Leverage used is the ratio of long-term debt to equity firm in which the $Debt_{it}$ is the value of long-term debt of the company i at time t. $Equity_{it}$ represents the number of own capital firm i at time t. Our model targets of leverage are as follows:

$$DER^*_{i,t+1} = \beta X_{i,t} \quad (2)$$

Where $DER^*_{i,t+1}$ is the leverage target of firm i at time t+1, $X_{i,t}$ is a vector of macroeconomic and characteristic of company i at time t. β is the vector coefficient.

Standard partial adjustment model (Flannery & Rangan 2006; Ariel et al., 2008; Cook & Tang 2010) were used as follows:

$$DER_{i,t+1} - DER_{i,t} = \lambda (DER^*_{i,t+1} - DER_{i,t}) + \delta_{i,t+1} \quad (3)$$

λ is a gap between the actual and the desired leverage targets. λ is the speed of adjustment of the capital structure of the company. By substituting equation 1 into equation 2 then equation models will be as follows:

$$DER_{i,t+1} = (\lambda\beta) X_{it} + (1-\lambda) DER_{i,t} + \delta_{i,t+1} \quad (4)$$

This study uses all listed companies in the plantation sector recorded in Indonesia Stock Exchange (IDX), focusing on the palm oil industry. The sample used is all company in the plantation sub-sector listed on the Indonesia Stock Exchange with the data quarter of the year 2009-2013 that have intact data. The method used in this study is Pooled Least Square (PLS), Fixed Effects Method (FEM), and the Generalized Method of Moments (GMM).

Vector X_{it} used in the study is the characteristics of the companies, namely tangibility of Assets (TAN ratio), Firm Size (Ln SIZE of Assets and Ln SIZE MC of Market Captialization), Profitability (Return on Assets / ROA), Sales Growth (SG), Market-to-book Value (MBV), and Financing Deficit (Def) and macroeconomic including inflation (INF), Gross Domestic Product (LnGDP), Composite Stock Price Index/CSPI (LnIHSG), interest rates (SB), and the exchange rate (LnNT).

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ANALYSIS AND RESULTS

Partial adjustment model with the dynamic model approach to the evaluation of the suitability of three alternative regression models are PLS, FEM, and GMM. Results of regression vector X_{it} companies' characteristics that affect the speed of adjustment (λ) to achieve the targets using 4a equation as follows:

Results of regression models referring to Flannery and Rangan (2006)

$$DER_{i,t} = (\lambda\beta)\, X_{i,t} + (1-\lambda)\, DER_{i,t-1} + \delta_{i,t} \qquad (4a)$$

Wherein DER is the debt ratio =. Lagged "X" variable determinant of long run debt ratio targets and consists of:

$DER_{i,t-1}$: the ratio of long-term debt to equity at lag 1

$DEF_{i,t}$: the difference between the change in total assets (TA) with the change in Retained Earnings (RE) company i at time t

TAN_{it} : the ratio of fixed assets (FA) to total assets (TA) company i at time t

Ln $SIZE_{it}$: the natural logarithm of size of the company from the corporate assets i at time t

Ln Size MC_{it} : the natural logarithm of size of the company from the market capitalization of the company i at time t

ROA_{it} : the ratio of EBIT to total assets of the company i at time t

SG_{it} : sales growth of the company i at time t

MBV_{it} : ratio of market price to book value shares of the company i at time t

Tabel 1. Regresion Model 4a

	(1)	(2)	(3)	(4)	(5)	(6)
	PLS	FEM	GMM	PLS	FEM	GMM
C	0.554 (1.008)	-1.178 (-0.768)	0.553 (0.836)	1.978* (3.793)	3.575* (3.927)	1.978* (3.124)
$DER_{i,t-1}$	0.827* (16.461)	0.556* (6.791)	0.827* (9.698)	0.746* (14.044)	0.480* (6.041)	0.746* (7.848)
DEF	0.052* (4.408)	0.048* (4.009)	0.052* (2.950)	0.062* (5.506)	0.063* (5.666)	0.062* (3.627)
TAN	0.228 (1.283)	0.361 (1.315)	0.228 (1.329)	0.414* (2.704)	0.474** (2.219)	0.414** (2.778)
Ln Size	-0.015 (-0.779)	-0.043 (0.822)	-0.015* (-0.675)	-	-	-
Ln Size MC				-0.066* (-3.569)	-0.118* (-3.862)	-0.066* (-3.091)
ROA	-0.225 (-1.183)	-0.311 (-1.644)	-0.225 (-1.211)	-0.136 (-0.742)	-0.173 (-0.956)	-0.136 (-0.797)

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SG	-0.012 (-0.572)	0.049 (0.236)	-0.012 (-1.428)	-0.011 (-0.559)	0.002 (0.109)	-0.012 (-1.195)
MBV	-0.032** (-2.303)	0.004 (0.160)	-0.032** (-2.161)	-0.007 (-0.495)	0.008 (0.420)	-0.007 (-0.5953)
R^2	0.884	0.900	0.884	0.894	0.911	0.894

Note: *) Significant at the 5% significance level, **) Significant at the 10% significance level, ( ) t-statistics

The speed of adjustments in achieving the target company's debt will vary among industry groups (Hardiyanto 2014). In this study the speed of adjustment compares the dynamic parameters, that is, DER_{t-1}, which means the lag period is generated by PLS method, FEM, and GMM. The estimated speed adjustment value is 1 - coefficient DER_{t-1}. In column (1) and (3) the value of speed of adjustment is 0.173 or 17.3% per quarter to reach the debt taget. There is an increase in the speed of adjustment in column (4) and (6) 25.4% if using the difference calculation SIZE on plantation companies. Column (2) and (5) also showed an increase from 44.4% to 52.0%.

Nguyen and Shekhar (2007) states that PLS method tends to produce a lagged dependent variable coefficient values that are too high, while FEM tends to produce a lagged dependent parameter that is too low, while the estimated value generated by GMM models is in between. The use of GMM method is more widely used in previous studies in the speed of adjustment among Arief et al. (2008), Aybar et al. (2011), Matemilola and Barry (2011), Dang et al. (2012), and Hardiyanto (2014). The speed of adjustment result of the GMM model is found in column (3) 17.3% which requires 17.3 months to adjust to the leverage target and (6) of 25.4% which requires 11.8 months. Estimation result with GMM model was supported by Sargan J test that received a rate of 5%. This shows that all variables used are valid instruments. Test results of F / Wald chi generate F value of the GMM model that is greater than the results test of F / Wald chi using PLS and FEM model. This supports that GMM is the best model and it is also more efficient than the PLS and FEM model.

The speed of adjustment in the industrial sector in Indonesia amounted to 36.02% (Hardiyanto 2014) is not much different from the results Reinhard and Li (2010) amounted to 33.00% in 2001-2005. It is different from the palm oil sector in Indonesia 2009-2013 period that had lower adjustment speeds amounted to 25.40%. Adjustment speed value is also various in India that amounted to 33.00% (Mukherjee & Mahakud 2010), public companies in United States for 34.40% (Flannery & Rangan 2006), small medium business in Spain amounted to 46.09% (Aybar et al. 2012), as well as the speed of adjustment in some countries such as Canada 22.30%, UK 20.30%, USA 15.10%, Germany 24.3%, France 14.0%, Italy 10.5%, and Japan 8.8% (Drobetz et al. 2013).

The difference in the level of adjustment indicated that there is difference in the characteristics and industrial structure of the microfinance institutions and banks in general (Hassan & Ariff, 2008). Adjustment speed level is very high due to the low transaction costs of borrowing funds (Hardiyanto 2014). The rapid adjustment rate also indicates a lower agency costs between creditors and shareholders (Hardiyanto 2014).

The estimation results with PLS, FEM, and GMM study showed variables which were not statistically significant and insignificant. Internal factors that affect DER are seen in equation 4a with various models that have been tested. Panel data analysis with dynamic model shows

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that column (1), (2), (3), (4), (5) and (6) addressing the deficit financing (DEF) of company characteristic variables positively affects corporate leverage. It shows the higher deficit financing that occurred in oil palm plantation companies will increase the DER-owned companies. Column (1) and column (3) also shows MBV has negative effect on leverage in line with Mukherjee and Mahakud study (2010) in India, while the study from Flannery and Rangan (2006) showed no effect on leverage.

Differences in the calculation of the size of the company (SIZE) of the assets owned by market capitalization give different results. In column (4), (5) and (6) the size of the company negatively affects leverage while different results found in column (1), (2) and (3) have no effect. Drobetz et al. (2007) is in line with the results of this study but it is different from other studies (Flannery & Rangan 2006; Mukherje & Mahakud 2010; Hardiyanto 2014). Difference result of the leverage effect of oil palm plantation companies shows the assets held in the form of farm, leasehold, buildings and equipment are difficult to be used for collateral on a bank guarantee or a third party to loan the debt. The difficulty is possible because assets locations distant to downtown and assets in the form of farms are at risk to be kept.

Following is the regression model by including company charactheristic and macroeconomic variables to see the effect of adjusting the speed of the oil palm plantation companies using 4b equation:

$$DER_{i,t} = (\lambda\beta)\ X_{i,t} + (1-\lambda)\ DER_{i,t-1} + \delta_{i,t} \qquad (4b)$$

Wherein DER is the debt ratio =. Lagged "X" variable determinant of long run debt ratio targets and consists of:

$DER_{i,t-1}$: the ratio of long-term debt to equity at lag 1

$DEF_{i,t}$: the difference between the change in total assets (TA) with the change in Retained Earnings (RE) company i at time t

TAN_{it} : the ratio of fixed assets (FA) to total assets (TA) company i at time t

Ln $SIZE_{it}$: the natural logarithm of size of the company from the corporate assets i at time t

Ln Size MC_{it} : the natural logarithm of size of the company from the market capitalization of the company i at time t

ROA_{it} : the ratio of EBIT to total assets of the company i at time t

SG_{it} : sales growth of the company i at time t

MBV_{it} : ratio of market price to book value shares of the company i at time t

SB_{it} : Bank Indonesia interest rate i at time t

INF_{it} : inflation rate i at time t

Ln NTit : natural logarithm exchange rate i at time t

Ln PDB Abs_{it} : natural logarithm of absolute Gross Domestic Product i at time t

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PDB Growth$_{it}$: Gross Domestic Product i at time t

Ln IHSGAbs$_{it}$: natural logarithm Composite Stock Price Index i at time t

IHSG Growth$_{it}$: Growth Composite Stock Price Index i at time t

In the equation 4b, speed of adjustment oil palm plantation companies columns (7) and (12) are not much different from the column (1) and (3) by 16%. Similarly, the speed of adjustment of the column (13), (15), (16) and (18) to the column (4) and (6) is 25%. It shows macroeconomic factors such as GDP, stock index, exchange rate, inflation and interest rates do not significantly influence the changes in the speed of adjustment leverage plantation companies in Indonesia. These results can also be seen from the macroeconomic variables that did not significantly affect the company's leverage. In contrast to studies Arief et al. (2008) that states macroeconomic variables such as GDP, money supply, and inflation rates affect corporate leverage. The same thing also delivered by Cook and Tang (2010) and Sinha and Ghosh (2010) that describe the macroeconomic adjustment affects the speed of the company. Cook studies and Tang (2010) more specifically states that the speed of adjustment of the company's capital structure is more quickly when economic conditions is in good condition than that in bad condition. The same thing was also investigated by Drobet et al. (2007) at 706 companies in Europe that also expressed business cycle and good macroeconomic affects the speed of adjustment of the company's capital structure.

According to Hardiyanto (2014), industry which is in experiencing high growth is expected to be more quickly to make adjustments as compared to the industry in a weakening growth. This is due to a growing industry that requires more funds for additional investments. If a company in the industry uses more debt to finance their investment, then it is estimated that firms in the industry will strive to achieve the target of their capital structure. The reverse when the industry has experienced a period of stagnant or even negative growth would prefer financing with equity, so it is expected to slow to make adjustments to the capital structure target (Hardiyanto 2014).

Differences in macroeconomic characteristics did not affect the speed of adjustment of the capital structure in oil palm plantations companies that made them possible because oil palm plantation investment is long-term period so that the short-term macroeconomic variables do not significantly affect the speed of adjustment of the company's capital structure. In addition, this study only observed the plantation company's capital structure on a period of five years.

Tabel 2. Regresion Model 4b

	(7)	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
	PLS	**FEM**	**GMM**	**PLS**	**FEM**	**GMM**	**PLS**	**FEM**	**GMM**	**PLS**	**FEM**	**GMM**
C	-4.57	-10.61**	-4.75	-1.08	-5.34**	-1.08	-4.57	-7.46**	-4.57	-0.93	1.22	0.93
	(-1.32)	(-2.53)	(-1.14)	(-0.69)	(-2.20)	(-0.79)	(-1.35)	(-2.31)	(-1.20)	(0.60)	(0.62)	(0.65)
$DER_{i,t-1}$	0.84*	0.47*	0.84*	0.82*	0.45*	0.82*	0.75*	0.38*	0.75*	0.74*	0.40*	0.74*
	(15.88)	(5.46)	(9.64)	(15.54)	(5.34)	(8.82)	(13.80)	(4.76)	(7.83)	(13.40)	(4.82)	(7.32)
DEF	0.06*	0.05*	0.06*	0.05*	0.04*	0.05*	0.07*	0.07*	0.07*	0.06*	0.06*	0.06*
	(4.57)	(4.08)	(3.36)	(4.44)	(3.86)	(3.23)	(5.82)	(6.00)	(4.01)	(5.49)	(5.22)	(3.76)
TAN	0.15	0.25	0.15	0.16	0.15	0.16	0.35**	0.17	0.35**	0.35**	0.22	0.35**
	(0.42)	(0.28)	(0.93)	(0.87)	(0.57)	(0.94)	(2.12)	(0.78)	(2.45)	(2.13)	(0.96)	(2.39)
Ln SIZE	-0.02	0.001	-0.02	-0.01	0.06	-0.01						
	(0.90)	(0.02)	(0.81)	(-0.72)	(0.90)	(-0.67)						

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Ln Size MC							-0.07* (-3.80)	-0.14* (-4.40)	-0.07* (-3.04)	-0.07* (-3.40)	-0.14* (-3.41)	-0.06* (-2.94)
ROA	-0.21 (-1.06)	-0.30 (-1.58)	-0.21 (-1.15)	-0.26 (-1.20)	-0.36*** (-1.78)	-0.26 (-1.26)	-0.16 (-0.83)	-0.21 (1.19)	-0.16 (-0.92)	-0.20 (-0.96)	-0.26 (-1.33)	-0.20 (-1.04)
SG	-0.01 (-0.62)	0.003 (0.15)	-0.01 (-1.31)	-0.01 (-0.62)	0.001 (0.08)	-0.01 (-1.32)	-0.01 (-0.42)	0.01 (0.30)	-0.01 (-0.87)	-0.01 (-0.50)	0.002 (0.12)	-0.01 (-0.91)
MBV	-0.02 (-1.63)	0.033 (1.39)	0.03 (-1.67)	-0.03 (-1.90)	0.023 (0.98)	-0.03 (-1.78)	0.01 (0.31)	0.05** (2.34)	0.005 (0.37)	0.003 (-0.24)	0.027 (1.22)	-0.003 (-0.27)
Ln PDB Abs	-0.34 (-0.53)	-0.83 (-1.35)	-0.34 (-0.45)				-0.64 (-1.04)	-1.19** (-2.15)	-0.64 (-0.85)			
PDB Growth				-0.85 (-1.29)	-1.07 (-1.76)	-0.85 (-1.17)				-0.95 (-1.49)	-1.22** (-2.09)	-0.95 (-1.37)
Ln IHSG Abs	0.31 (1.14)	0.55** (2.15)	0.31 (0.88)				0.49*** (1.85)	0.82* (3.37)	0.49 (1.38)			
IHSG Growth				-0.03 (-0.24)	-0.01 (-0.09)	-0.03 (-0.36)				-0.03 (-0.24)	-0.05 (-0.52)	-0.03 (-0.34)
Ln NT	0.34 (1.19)	0.80* (2.86)	0.34 (1.16)	0.18 (1.09)	0.40 (2.43)	0.18 (1.42)	0.38 (1.41)	0.74* (2.93)	0.38 (0.33)	0.11 (0.72)	0.25 (1.55)	0.11 (0.89)
INF	-3.24 (-1.55)	-4.32** (-2.23)	-3.22 (-1.25)	-0.26 (-0.26)	-0.39 (-0.37)	-0.26 (-0.43)	-4.38** (-2.19)	-5.62* (-3.10)	-4.38*** (-1.73)	-0.11 (-0.11)	0.79 (-0.87)	-0.11 (-0.16)
SB	7.34 (1.40)	9.37*** (1.96)	9.75 (0.12)	0.43 (0.16)	0.96 (0.32)	0.43 (0.19)	9.75*** (1.95)	12.91* (2.88)	9.75 (1.57)	-0.10 (-0.04)	-1.61 (-0.65)	-0.98 (-0.04)
R^2	0.89	0.91	0.89	0.889	0.91	0.89	0.90	0.93	0.90	0.90	0.92	0.90

Note. *) 1% significance level, **) 5% significance level, ***) 10% significance level, ( ) t-statistic

CONCLUSION AND SUGGESTIONS

The capital structure speed of adjustment of the palm plantation companies in Indonesia is influenced by the internal factors (company characteristic) primarily financing deficit (DEF) and market capitalization (LnSize MC). In contrast, macroeconomic factors do not significantly influence the oil palm plantations company's capital structure speed of adjustment in Indonesia. The difference made it possible because the nature of oil palm plantation investment is long term, whereas macroeconomic dynamics are not short term.

Although the macro-economic factors in this study relatively do not affect the speed of adjustment of the capital structure of the oil palm plantation companies, the government must keep macroeconomic in good condition in order to support the business. If the economic is in crisis, which ever happened in 1998 and 2008, it would adversely affect the palm oil business, and in the financial aspect, this will be an adverse on the capital structure conditions and how the company makes adjustments to the target. Access to capital also needs to continue to be provided in order to allow companies to get debt, either by issuing bonds or convenience in making loans to banks owned by the government.

Further studies would be interesting to analyze the capital structure of the plantations in Indonesia within a long time period (15 - 25 years) to see the effects of macroeconomic on the speed of adjustment of the plantation company's capital structure.

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