DETERMINANT OF CAPITAL STRUCTURE

Mohammad Ricky Ainun Najib, M. Yahdi, Deni Juliasari
STIE Widya Gama Lumajang
Email: rickymucky9897@gmail.com

Abstract

The capital market is an economic instrument which is a pillar for the public to invest as a source of financing for Indonesian companies. In connection with the capital market as a means for companies to get funds from investors. With sufficient funds the company can improve its performance. This research was conducted with the aim to find out partially and simultaneously about the analysis of factors affecting the capital structure (in the manufacturing companies in the consumer goods industry sectors listed on the Indonesia Stock Exchange for the period 2016-2017). This research uses a quantitative approach using secondary data. The research sample was 58 manufacturing companies and analyzed using SPSS. Testing the hypothesis used is a statistical test partially (t test) and simultaneously (F test). The results showed that the Assets Structure variable and Profitability partial effect on the capital structure. Variable companies size no partial influential to structure in capital. Simultaneous variable test results Asset Structure, Profitability, Firm size simultaneously influence the capital structure.

Keywords: Asset Structure, Profitability, Company Size, Capital Structure

INTRODUCTION

Fulfillment of capital comes from internal and external funds. Internal sources of capital are capital sources that are in the form or generated by the company, for example capital that comes from profits that are not shared or retained by the company. Meanwhile, external capital comes from additional equity participation of new shareholders, sales of bonds and credit from banks. In order to meet the company’s goals, it is necessary to make the right decisions for the company. One of the very important decisions for the company is a decision regarding the capital structure. Determining the capital structure requires consideration of the factors that influence it. According to Brigham & Houston (2006), there are several factors that affect the company’s capital structure, including: sales stability, asset structure, operating leverage, growth rate, profitability, taxes, supervision, nature of management, attitudes of creditors and consultants, market conditions, internal conditions, company and financial flexibility. Every asset owned by a company all comes from the capital structure. The structure of assets in this study is fixed, which is guaranteed the company needs. Asset structure describes the proportion between total assets and fixed assets of the company. Because companies that have large fixed assets will find it easier to get capital from outside the company.

Similar research on capital structure has been conducted by previous researchers, namely Prayogo (2016) which proves that asset structure has a positive effect on capital structure, profitability has a negative effect on capital structure, company size has a positive effect on capital structure, Liquidity has a negative effect on capital structure, Growth positive influence on capital structure.

The research results of Joni & Lina (2020), Nurul, Zaleha, Wan, & Hussain (2011), and Sawito (2012) obtained evidence that asset structure has an influence on capital structure. Research by Antoni, Chandra, & Susanti (2013), Joni & Lina (2020), and Prayogo (2016) proves that profitability has a significant effect on capital structure. In research conducted by Antoni,
Chandra, & Susanti (2013), Nurul, Zaleha, Wan, & Hussain (2011), and Sawito (2012) it was found that company size has a significant effect on capital structure.

METHOD
The type of research used in this research is quantitative research by examining the effect of the relationship between asset structure, profitability, and company size on capital structure. The population in this study are consumer goods industrial companies that have been and are still listed on the Indonesia Stock Exchange for the period 2016-2017 which published financial reports with a total of 49 companies. The technique used in sampling is purposive sampling. The number of samples used was 29 companies with observations for 2 years so that the total sample of the study was 58 companies. The data analysis step used was the Classical Assumption Test and Statistical Test. The analysis technique used is multiple linear regression.

RESULTS AND DISCUSSION
The results of data normality testing using the Kolmogorov Smirnov one-sample show that the data has an Asymp value of 0.438. This value is greater than 0.05, so it can be said that the data is normally distributed. Thus it proves that the regression model is feasible because it meets the assumption of normality. Based on the multicollinearity test results, it shows that all the variables used have a VIF value <10 and a tolerance value of more than 0.10. So it can be concluded that all the independent variables in this study are free from multicollinearity symptoms. Based on the results of the autocorrelation test, it shows that the Durbin-Watson value of 2.135 is between 1-d_u and 4-d_u namely 1.6860 <2.135 < 2.314 so it can be concluded that there is no positive or negative autocorrelation. In other words, free from autocorrelation symptoms. Based on the results of the heteroscedasticity test, it shows that there is no clear pattern of the distribution of these points. This shows that this regression model is free from heteroscedasticity symptoms.

The results of the regression analysis can be arranged as a multiple regression equation as follows: Y = b0 + b1X1 + b2X2 + b3X3 + e. The results show that the variables of Asset Structure, Profitability, and Company Size have an influence on the Capital Structure of the consumer goods industry sector companies listed on the Indonesia Stock Exchange. From F Test result, it can be seen F count of 25.757 with a significance level of 0.000 is less than 0.05, it can be concluded that the structure of assets, profitability, and company size influence simultaneously significantly to the Structure of Capital in consumer goods industry.

The results of the t test for the Asset Structure variable (X1), the Profitability variable (X2), and the Firm Size variable (X3) partially, variables Asset Structure obtained by value t count = 5.547 with a 0.000 significance level 0. With a significance level of 0.000 less than 0.05, it can be concluded that the asset structure has a significant effect on the capital structure of consumer goods industrial companies. Profitability obtained t count = 4.455 with a significance level of 0.000, 0.0 with a significance level of 0.0 is smaller than 0.05, it can be concluded that the profitability of a significant effect on the capital structure of the company's consumer goods industry. Company size obtained t count = 1.565 with a significance level of 0.123. With a significance level of 0.123 which is greater than 0.05, it is concluded that company size does not have a significant effect on the capital structure of consumer goods industrial companies. The coefficient of determination (R square) were obtained at 0.589. This means that 58.9% of capital structure can be explained by the independent variables are the structure of assets, profitability, and the size of the company, while the remaining 41.1% of capital structure is influenced by other variables not examined in this study.

Analysis result on variable asset structure is known that the t test result shows the influence of the significance of Asset Structure Capital Structure. The result of the t test is 5.547 with a significance value of 0.000. The significance value is 0.000 < 0.05 so that there is a significant influence between the asset structure variable on the capital structure. If the measurement of asset structure is based on the ratio between total fixed assets to total assets, then partially the asset
structure has a significant effect on the capital structure. Significant means that the increase in asset structure will affect changes in capital structure. Food and beverage companies, the structure of their assets, especially fixed assets, is the main source for the company to produce the company's sales products, the more fixed assets the company has, the higher the chances of getting debt resulting in higher sales products, the higher sales achieved will provide profit for the company is the amount of profit earned, where the profit becomes the main capital for the company.

Analysis result on variables Profitability known that the t-test, a significant count of 4,455 and 0,000. The significance value of 0.000 < 0.05, which means that there is a significant influence of the profitability variable on the capital structure. Profitability serves to measure the level of how big or small a company can generate profits in a certain period, which means that if the level of profitability is high, it also shows the high level of capital structure. The greater the profitability ratio (ROE) of the company, the lower the company's capital structure. A small capital structure is a good capital structure, because when ROE increases it means that the company's retained earnings are high, and the company will take on less long-term debt. The amount of profitability will influence management's decision to make outside funding or not, and will also influence management's decision to use funds in its operations.

Analysis result on variables Company size is known that the t test results count equal to 1.565 with 0.123 significance value where the significant value of 0.123 > 0.05, showed no significant effect on the structure of the Capital Company Size. In previous studies, the effect of firm size only occurred when the tests were carried out simultaneously. Meanwhile, in this study partially company size does not have a significant effect on capital structure. The larger the size of a company, the greater the tendency to use foreign capital. This is because large companies also need large funds to support their operations, and one alternative to fulfill it is foreign capital if their own capital is not sufficient. Companies that are large in size tend to be more flexible in accessing sources of funds, so that they will increase their debt to maximize the capital structure. This means that there is no significant influence between the firm size variable and the capital structure variable so that the hypothesis in this study is not proven. The regression coefficient for company size is 0.050, the regression coefficient for the size of this company is positive, so it shows that this company size variable has a positive and insignificant direction of influence on the capital structure of companies in the consumer goods industry sector listed on the IDX in 2016-2017. With the direction of this influence, it indicates that the greater the size of the company, the greater the capital structure.

CONCLUSION
This study aims to determine the effect of asset structure, profitability, and company size on the capital structure of consumer goods industrial companies using multiple linear regression techniques. From the formulation of the problem, research objectives, and hypotheses in this study and the discussion that has been described in the previous chapter, some conclusions can be drawn from this study, namely as follows: (1) The first hypothesis testing results show that the influence of asset structure partially significant positive to the capital structure in the company's consumer goods industry. (2) The results of testing the second hypothesis indicate that there is a significant positive effect of profitability on the capital structure of consumer goods industrial companies. (3) The results of testing the third hypothesis indicate that there is no partial effect of firm size on the capital structure of consumer goods industrial companies. The coefficient of determination is 5.8, 9% where the remaining 4.1% capital structure is influenced by other variables not examined in this study.

REFERENCES

