

FACTORS INFLUENCING THE CAPITAL STRUCTURE OF PROPERTY SECTOR & REAL ESTATE COMPANY

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ABSTRACT

This research aims to determine the factors that affect the company's capital structure including: company age, profitability, asset structure, company size, and liquidity, on the Property & Real Estate company listed in Indonesia Stock Exchange Period 2015-2018. This research is a quantitative study of causal associative. The samples in this study used purposive sampling techniques. The sample company used in this study as much as 32 companies in 4 periods as many as 102 samples. The data analysis technique used is multiple linear regression as well as the process of using SPSS 23. The results showed that (1) the company's age has no effect on the capital structure, (2) profitability has no effect on the capital structure (3) The asset structure affects the capital structure (4) the size of the influential company capital structure (5) liquidity affects the structure of capital.

Keywords: profitability, asset structure, liquidity, capital structure.

1. INTRODUCTION

A good capital structure is an optimal capital structure, which is a condition where a company can use a combination of debt and equity ideally. Brigham and Houston (2001), stated that capital structure is a balance between the use of own capital and the use of long-term loans, the intention is how much equity and how much long-term debt will be used so that it can be optimized.

Modigliani and Miller (1963) explain that, the use of debt will lead to debt cost which will reduce tax payments which will result in increased company value. The combination of capital that comes from the company's internal and external company is also called the capital structure. The right combination in the selection of capital, will be able to produce an optimal capital structure, which is able to be a strong foundation for the company to carry out its production activities, and able to bring optimal profit for the company.

This study is based on differences in results from previous studies. According to Nugroho (2014), that the age of the company has a positive effect on capital structure, but argued by Mau et al. (2015), Kieschnick and Moussawi (2018), that the age of the company has a negative effect on capital structure. Youssef et al. (2015), Denziana and Yunggo (2017), and Rizki et al. (2018), stated that profitability had a negative effect on capital structure, but it was argued by Nhung et al. (2017), Andayani and Swardana (2018) and Endri et al. (2019) stated that profitability has a positive effect on capital structure. Naibaho et al. (2015), Denziana and Yunggo (2017), and Nhung et al. (2017) stated that the Asset Structure had a positive and significant effect on capital structure, but was denied by Andayani and Swardana (2018), Septiani and Suwaryana (2018)

and Yuhelmi (2018) that asset structure has a negative effect on capital structure. Insiroh (2014), Youssef and Ghonamie (2015) and Naibaho et al. (2015) found that firm size had no influence on capital structure, but was denied by Nhung et al. (2017), Denziana and Yunggo (2017) and Sparta and Defadjria (2018) that company size has a positive effect on

2. LITERATURE REVIEW

Capital structure

Capital structure theory explains whether there is an effect of changes in capital structure on firm value (reflected in the company's stock price), if investment decisions and dividend policies are held constant. In other words, if the company replaces part of its own capital with debt (or vice versa) whether the share price will change, if the company does not change other financial decisions. In other words, if the changes in capital structure do not change the value of the company, it means that there is no best capital structure.

Company age

The Company's age shows that the company still exists, able to compete and take advantage of business opportunities in an economy. By knowing the age of a company, it will also be known how far the company can survive. The longer the company's life span, it will provide broader a broader picture and financial information compared to other companies whose life is shorter, with the reason that the company has more experience in more complete disclosure in annual report.

Profitability

Profitability is one of the factors that affect capital structure, according to Sartono (2008) in Naibaho et al. (2015) defining profitability is the ability of a company to make a profit in terms of sales, total assets and own capital.

capital structure. Rizki et al. (2018) Nhung et al. (2017), and Andayani and Swardana (2018) state that liquidity has no effect on capital structure, but is denied by Proenca et al. (2014), Bhattarai (2016) and Ghasemi and Razak (2016), which found that liquidity had a positive effect on capital structure.

Asset structure

The asset structure shows the ratio between the company's fixed assets to the total assets owned by the company. The size of the assets owned by the company can affect the use of capital. Companies with adequate assets used as collateral for loans are likely to use more debt.

Company Size

The size of the company depict big small companies. The size of the business is seen from the field of business that is run. Determination of the size of the company can be determined based on total sales, total asset, average level of sales (Brigham & Houston, 2001). The greater the size of company, the tendency to use foreign capital will also be even greater.

Liquidity

Liquidity is one of the factors taken into account in capital structure decision. According to Riyanto (2001), corporate liquidity is the ability of a company to meet its short-term obligations. This capability is the company's ability to continue its operations when the company is required to pay off its obligations which will reduce its operational funds.

3. DATA AND RESEARCH TECHNIQUE ANALISYS

Types of research

This type of research used in this research is causality research with explanatory research design. Causality is

a causal relationship. So, here there are independent variables (influence) and dependent variables (influenced). This means that research focuses on the influence of the use of image media as an independent variable on learning outcomes as the dependent variable (Sugiyono, 2012).

Research Variables and measurements

The dependent variable in this study is the capital structure (Y) proxied by DER (Debt to Equity Ratio) is a variable that defines how much proportion of a company's capital comes from loans or credits.

$$DER = \frac{Liability}{Equity}$$

Company age

One can measure the age of a company as the time between the initial creation of a company and the present (in several years). One can measure the age of the company as the time between going public and present (also in several years). In this study, we choose to focus on the first measure of the age of the company. The age of the company was measured based on the first year the company was founded until the final year of the study (2018).

Profitability

Profitability is the company's ability to generate profits in a certain period. To measure the level of profitability in this study using ROA (Return on Assets) ratio. ROA value is calculated using the formula:

$$ROA = \frac{EBIT}{Total Assets}$$

Asset structure

The asset structure can describe the amount of assets that the company can be pledged by the company as collateral when the company makes loans to creditors. Asset structure is the proportion of fixed assets owned by the company. This variable is proxied by FAR (Fixed Asset Ratio), which is the ratio between current assets and total assets.

$$FAR = \frac{Fixed Assets}{Total Assets}$$

Company Size

The greater the assets of company, the greater the money invested capital. The size of the company in this study is a reflection of the size of the total value of the company's assets at the end of the year, which is measured using natural (Ln) of total assets (Brigham and Houston, 2010).

$$Company Size = Natural Total Asset Assets Logarithms$$

Liquidity

Liquidity in this study was measured by a quick ratio. Quick Ratio shows the company's ability to meet short-term liquidity with the most liquid assets. This ratio does not include inventories (which are assumed to be the most illiquid current asset) as divided numbers.

$$CR = \frac{Current Assets}{Current Liability}$$

Population and Sampling

The population in this study are property and real estate companies listing on the Indonesia Stock Exchange for the period 2015 – 2018. The sample of this study was determined using a purposive sampling method based on the following criteria: property and real estate companies listed on the Indonesia Stock Exchange that publish financial statements complete and has all the data needed during the study period which is published on the official website of IDX (www.idx.co.id), with the results 32 companies meet the criteria.

Classical Assumption Test

Normality Test

According to Ghozali (2011), normality test is used to find out whether the control group and experimental group test scores are normally distributed or not. A statistical test that can be used to test residual normality is a statistical test of non-parametric Kolmogrov-Smirnov statistics.

Multicollinearity Test

According to Ghozali (2005) multicollinearity test aims to test whether the regression model found a correlation between one or all independent variables.

Heteroscedasticity Test

Heteroscedasticity test aims to test whether in the regression model residual variance inequality occurs from one observation to another. This study uses the Spearman heterosecurity test.

Autocorrelation Test

The autocorrelation test is a statistical analysis carried out to find out the correlation of the variables that exist in the predictive mode with the changes in time.

Multiple Linear Regression Test

Regression Model

Multiple linear regression model is performed against a proposed model using SPSS software to gauge how large the factors affect the company's capital structure.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Information:

$Y =$ Capital structure (DER)

$X_1 =$ Company Age

$X_2 =$ Profitability

$X_3 =$ Asset structure

$X_4 =$ Size

$X_5 =$ Liquidity

$e =$ error term

$\beta_0 =$ Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 =$ Regression coefficient

F Test

F test can be done by comparing F arithmetic with F table, if F arithmetic > from F table, (Ho in reject Ha accepted) then the model is significant or can be seen in the column of significance on Anova (processed with SPSS).

t Test

t Test aims to determine whether there is a significant influence of independent variables namely age, profitability, asset structure, company size and liquidity of the dependent variable namely capital structure.

Coefficient of determination Test

Sugiyono (2012) In the correlation analysis of a number is called the coefficient of determination (Adjusted R Square) whose magnitude is the quadrad of the correlation coefficient. The coefficient of determination is called the determinant coefficient because the variance that occurs in the dependent variable can be explained through the variances that occurs in the independent variable.

4. RESULT AND DISCUSSION

Classical Assumption Test

Normality Test

The following are the results of the research normality test:

Table 1: Normality Test Results

Variabel	Kolmogorv Smirnov	Significance	Description
Age	0,123	>0,05	Data with normal distribution
Profitability			
FAR			
Size			
Liquidity			

Source: Self Proceed

Multicollinearity Test

Table 2: Multicollinearity Test Results

Variabel	Tolerance	Std	VIF	Std	Description
Age	0,843		1,187		
Profitability	0,860		1,162		
FAR	0,619	>0,1	1,614	<10	does not occur multicollinearity
Size	0,947		1,056		
Liquidity	0,614		1,628		

Source: Self Proceed

Heteroscedasticity Test

Table 3: Heteroscedasticity Test Results

Variable	P-Value	Significance	Description
Age	0,933		
Profitability	0,375		
FAR	0,113	>0,05	Free heteroscedasticity
Size	0,313		
Liquidity	0,635		

Source: Self Proceed

Autocorrelation Test

Table 4: Autocorrelation Test Result

Du	Durbin Watson	4-Du	Description
1,781	1,847	2,219	does not occur autocorrelation

Source: Self Proceed

The results of autocorrelation testing with the Durbin Watson showed that the value of $Du < Dw < 4-Du$, then with these result it can be concluded that autocorrelation did not occur in this study.

Multiple Linear Regression Test Regression Model

The following test results of regression model as follows:

Table 5: Regresion Model

Variabel	B
Constant	-7,758
Age	0,080
Profitability	-0,042
FAR	-0,841
Size	5.861
Liquidity	-0,750

Source: Self Proceed

F Test

Table 6: F Test Result

F Count	Value	F Table	Significance	Std	Description
16,943		2,31	0,000	0,05	Decent model to use

Source: Self Proceed

The feasibility test of the model above the results of the calculated F value > F table and significance < 0,05. Thus simultaneously the independent variable influences the dependent

variable.

t Test

The t test is used to test how each one of them is a self-free variable on its own.

Table 7: t Test Result

Hypotest	t Count	t Table	Signification	Std
H1	0,373	<1,984	0,710	>0,05
H2	-1,054	<-1,984	0,294	>0,05
H3	-5,643	>-1,984	0,000	<0,05
H4	4,416	>1,984	0,000	<0,05
H5	-7,776	>-1,984	0,000	<0,05

Source: Self Proceed

Coefficient of determination test results

The result of the determination coefficient test above show the results of calculations R2 obtained in multiple regression analysis and the coefficient of determination obtained with the value of Adjustes R Square of 0,441. This show that the variances in capital structure variables of 44,1% can be explained by age, profitability, asset structure, company size and liquidity variables, while the remaining 55,9% is explained by other-factors beyond the researched.

Discussion

Effect of age of the company on capital structure

The results showed that the age of the company did not affect the company's capital structure. This shows that the age of a new or young company and the age of a long-standing company do not not affect the company's capital structure. In this case the company's internal capital is able to fund a company. This research is in line with the results of research

conducted by Mau et al (2015).

Effect of profitability on capital structure

The Results of this study found that profitability has no effect on the company's capital structure. Profitability does not affect the capital structures because the company has determined its capital structure based on the amount of benefits and sacrifices that arise as a result of the using debt to support the operation of the company's operations. (Chasanah & Satrio, 2017).

Effect of asset structure on capital structure

The results showed that the structure of asset negatively affected the company's capital structure. The more fixed assets owned by the company, the lower the debt, resulting in high sales product as well, the high sales achieved will benefit the company that is the amount of profit obtained, where the profit is the main capital for the company (Azizah, Topowijono, & Naibaho, 2015).

Effect of company size on capital structure

The results of this study indicate that company size has a positive effect on capital structure. This means that the larger the size of the company, the greater the capital structure, and conversely the smaller the size of the company, the smaller the capital structure. This is because a large company will increase its funding too, so that it will increase the amount of debt to help its funding (Mau, Prasasyaningsih, & Kristanti, 2015).

Effect of liquidity on capital structure

The results of this study indicate that liquidity has a negative effect on the company's capital structure. This is because companies that have a high level of liquidity have a large enough source of funds, so the company has more used its internal funds first to finance the company before making a decision to use the funds from external sources.

5. CONCLUSION

The test results of this study can be concluded that the age of the company does not affect the company's capital structure. It means that whether or not the company has been established for a long time does not affect the amount of debt owned by the company, because the company does not depend on debt. Profitability does not affect on capital structure. This means that the size of the company's profitability does not affect the size of the debt owned by the company. Because companies that have good profitability, still rely on debt to progress their business. Asset structure has a negative effect on capital structure. It can be concluded that a fixed asset owned by the company, will make the company reduce its debts. Company size has a positive effect on capital structure. The Larger the company, the greater the debt for business progress. Liquidity has a negative affect on the company's capital structure. This is because companies that its internal funds first to finance the company before making a decision to use

the funds from external sources.

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