

PalArch's Journal of Archaeology of Egypt / Egyptology

EFFECT OF PROFITABILITY, AND SALES GROWTH, WITH THE CONTROL VARIABLE ASSET STRUCTURE ON CAPITAL STRUCTURE IN VARIOUS INDUSTRY SECTORS LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2014-2018

Vincentia Wahyu Widajatun¹, Karlina Fitrahelsia Suhenri²

^{1,2}Widyatama University, Bandung, Indonesia

¹vincentia.wahju@widyatama.ac.id, ²Karlina.fitrah@widyatama.ac.id

Vincentia Wahyu Widajatun, Karlina Fitrahelsia Suhenri. Effect Of Profitability, And Sales Growth, With The Control Variable Asset Structure On Capital Structure In Various Industry Sectors Listed On The Indonesia Stock Exchange For The Period 2014-2018-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(10), 3122-3130. ISSN 1567-214x

Keywords: Capital Structure, Profitability, Sales Growth.

ABSTRACT

The goal of this study is to decide if the Asset Structure control variable has a major impact on the capital structure on profitability and sales growth. This type of research is explanatory research with a quantitative approach method. The data in this analysis are secondary data obtained through the website of the Indonesia Stock Exchange and the website of the Indonesia Finance Market: Indonesia Stock Exchange. All the various industries sector companies listed on the Indonesia Stock Exchange for the period 2014-2018 were the population in this study. Although the sample for this analysis was determined by the purposeful method of sampling in which 23 companies were chosen. Documentation analysis and literature study were the data collection methods used. The analysis technique used is descriptive statistical analysis, panel data regression, classical assumption test, and hypothesis testing. The results showed that there was a simultaneous influence on the variable profitability and sales growth, as well as the control variable of asset structure on capital structure. Although the study results partly indicate. Although earnings growth does, this profitability does not have a major effect on the capital structure and the control variable asset structure has a negative and significant impact on the capital structure.

INTRODUCTION

2018 economic growth was recorded at 5.17 percent, an increase compared to the previous year's growth of 5.07 percent and was the highest growth since

2013. In general, this performance shows Indonesia's economy remains solid, considering at the same time world economic growth in 2018 is on a slowing trend and global uncertainty is on the rise (Bank Indonesia, 2018). In terms of Gross Domestic Product (GDP), the Indonesian economy is calculated on the basis of current prices exceeding Rp. 14,837.4 trillion, with GDP exceeding Rp per capita. 56.0 million or 3,927 US dollars (<http://bps.go.id>).

Capital structure is an important aspect in funding decisions. Funding or the capital structure of the company if it is not managed optimally, it can cause financial difficulties for the company (Made & Luh, 2017).

Various industrial sector companies contributed positively to GDP growth. However, in doing business, various industrial sector companies also have several problems or obstacles that have become a common phenomenon. Companies in this sector have relatively large production activities where companies require large capital to carry out their operational activities. In addition, this industry has a variety of products with a fast production rate, namely by making various innovations and tends to have a wider market expansion than other sector companies. so the capital required is very large (Irawan & Cahyo, 2017).

The Debt Equity Ratio (DER) is a ratio that explains the average structure of capital and compares financing sources in the form of loans and shares. The problems in various industrial sector companies are related to funding to increase capital that will be used for company operational activities, whether internal funds in the form of own capital or profits, or external funds in the form of debt. With the increasing use of debt by various industrial sector companies, it will trigger a larger company capital structure in this sector. As we can see in the graph below, it shows that the average DER of various industrial sector companies for the 2014-2018 period was above 1 time or 100 percent.

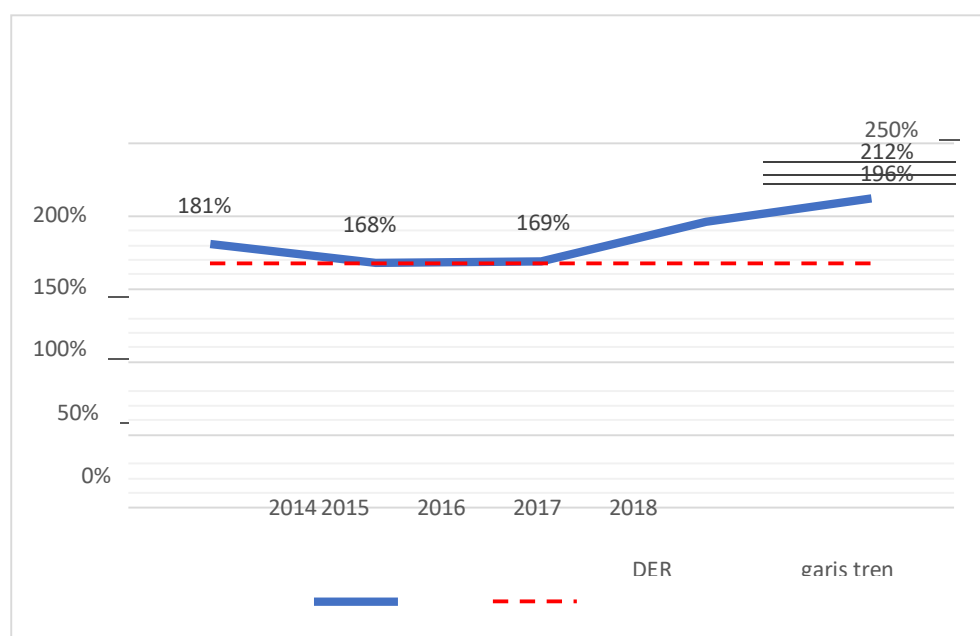


Figure 1. Average Development of Capital Structure (DER) of Various Industry Sectors listed on the Indonesia Stock Exchange for the 2014-2018 Period

Source: 2020 data processed

The average DER of various industrial sectors each year is above one. Even in 2018 there were more than two. This is certainly not very good for the company because it indicates that the company uses a larger loan than the share. The greater the use of the loan, the greater the loan interest expense.

Profitability is the first variable in this study. The profitability variable in this study is proxied by ROA (Return On Asset). ROA is a ratio that shows the results (*return*) on the total assets (total assets) used in the company. In managing its investment, ROA is a measure of management performance. Furthermore, the return on investment illustrates the value of all company funds, including debt capital and equity capital (Kasmir, 2016). The main objective of a company in carrying out its business activities is to make a profit as well as investors and shareholders, their goal is to invest in a company, namely to make a profit. ROA was chosen as a proxy because it generates net profit from the use of assets owned.

The second variable is sales increase. One of the significant factors that decide the company's longevity is revenue. In addition to debt and equity, as well as sales of business items in the form of goods or services, businesses get funds for survival and growth. The management of the company tries to be able to increase sales of its products because high or stable sales growth is related to company profits (Priambodo, 2014). In contrast to the research conducted by Saraswati et al. (2018), which shows that sales growth has a positive and significant effect on capital structure. The increasing sales growth will raise the capital structure so that the company will seek additional funds from debt to expand. research conducted by Raka and Vaya (2019) which suggests that sales growth has a significant effect.

Asset structure becomes the third variable. The asset structure is a balance or distinction between fixed assets and total assets, according to Brigham (2011). Asset structure describes a portion of the total assets that can be used as collateral. Companies with high asset growth rates will use debt more in their capital structure than companies with low asset growth. In manufacturing companies, in general, the largest share of capital is contained in fixed assets, which prioritize the fulfillment of capital, namely in the form of funds from within, while funds from outside are complementary. Companies with high growth rates generally depend more on capital from outside the company, in companies with low growth rates, new capital requirements are relatively small so that they can be met from retained earnings (Lukas (2003) in Andi Kartika (2016)). In his research using the *fixed asset ratio* (FAR) as a measure where FAR is the ratio of the ratio between fixed assets and total assets of the company, namely to measure how effective the company is in utilizing its sources of funds (Novianti Indah Pertiwi & Ayu Darmayanti 2018).

Research conducted by Sri et al. (2019) indicates that the structure of assets has a direct influence on the structure of resources. Big companies normally have large quantities of fixed assets such that a lot of debt can be easily used by the business. Ownership of company assets shows whether the company has a suitable asset composition to be used as collateral for debt repayment. Research conducted by Arlan and Lisbeth (2015) states that asset structure has a significant negative effect on capital structure. Research conducted by Ni Putu Ayu and Ni Putu Santi (2017) states that asset structure has a positive and significant effect on capital structure. A company with an asset structure with a larger share of its fixed assets, the company has the potential to have assets with high collateral value. The company will be able to reduce the cost of financial distress compared to companies with assets with low collateral value. The high collateral value can be used to cover obligations in the event of financial difficulties. Larger borrowing leads to a higher debt ratio.

In contrast to research conducted by Rosdiana (2018), the asset structure has no effect on capital structure. the size of the asset structure does not really affect debt because companies that have a higher proportion of fixed assets than current assets will reduce the use of outside funds or tend not to use debt, because the company considers internal funding sources to have relatively small risks and these funds have also able to meet their funding needs. Likewise, research conducted by Andi (2016) states that asset structure has no effect on capital structure.

There is also a comparison between the average of each ratio or proxy, including DER, ROA, SG and FAR in various industrial sector companies for the period 2014-2018 which can be seen in the graph below:

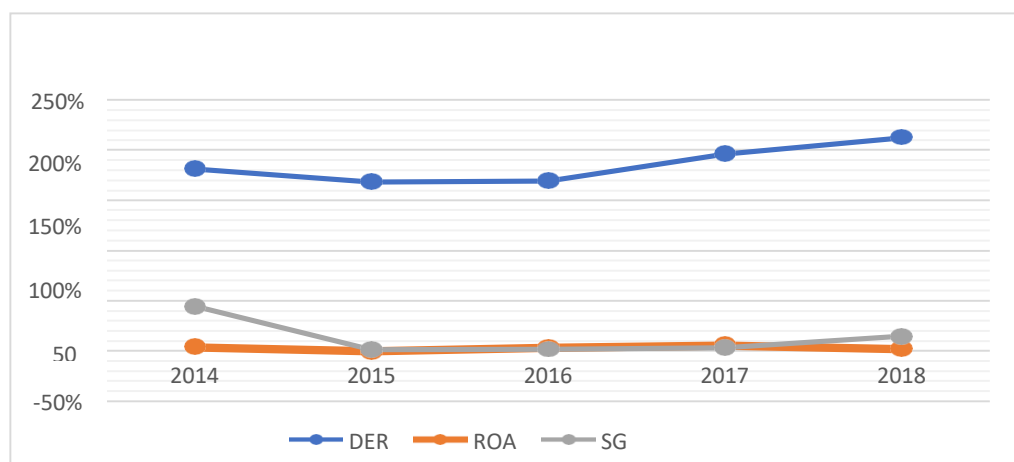


Figure 2. Average Comparison Average DER, ROA, SG for Miscellaneous Industry Sector Companies for the 2014-2018 period

Source: data processed 2020

In this graph, it can be seen that the average development of ROA has fluctuated

each year. However, seen from 2016 and 2017 ROA has increased, which means that the higher or higher, the better the company is in generating return on total assets. The better the company is in asset management, the company's profits will increase, with the increase in profits, the greater the retained earnings, but in this case it will be balanced with the use of debt because the company's prospects are considered good. So in this case it does not show any gaps because the development of average ROA coincides with the development of average DER which both show an increase. Therefore, this study aims to determine the effect of Profitability, and Sales Growth, with the control variable of Asset Structure on Capital Structure in Miscellaneous Industry Sectors listed on the Indonesia Stock Exchange.

Theory Base

According to Susanti and Agustin (2015), companies with high returns on investment use small debt. High rate of return (return) allows the company to finance most of its funding needs with funds generated internally.

According to Irham Fahmi (2014), Capital Structure is a description of the form of the company's financial proportion, namely between the capital owned which comes from long-term debt and equity which is a source of financing for a company.

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

The profitability ratio is a ratio that analyses the capability of the organization to compete for profit. This ratio also provides a measure of the efficiency of the management of a company. The success of management here is seen from the profit on sales and investment income generated (Kasmir. 2015).

$$ROA = \frac{\text{Earning After Tax}}{\text{Total Assets}} \times 100\%$$

Sales are part of promotional activities is part of marketing as a whole. Income is the primary component for financial statements to be produced and viewed. Revenue includes both income and gains. Income arises in the course of the usual company activities and is known by different names, such as sales, fees, interest, dividends, royalties and rent. Sales are often referred to as sales results. The sales proceeds are the results of selling the quantitative times that are sold so that it does not include value added tax and other costs are not included in the sales proceeds. It is possible for companies with relatively high sales growth rates to be spent using larger debt than companies with low sales growth, because the profits obtained from the increase in sales are expected to be able to cover the cost of debt interest. companies whose growth opportunities are greater will have more retained earnings (Sudana, 2015).

Sales growth is a change in the level of sales which can be calculated by the difference from sales for the previous period divided by sales for the previous

period (Wardani et al. (2016) in Aziz (2019)).

$$\text{Sales Growth} = \frac{\text{This year's sales} - \text{last_year's_sales}}{\text{last year's sales}} \times 100\%$$

Brigham (2011) states that a balance or comparison of fixed assets and total assets is the asset structure. Asset Structure is the determination of the allocation of funds, both in current assets and in fixed assets, for each asset component. The asset structure is the assets or economic capital held by a corporation that is supposed to benefit from fixed assets, intangible assets, in the future. The purpose of calculating this ratio is to find out how large the portion of fixed assets the company can use as collateral for the loans it does

$$\text{Fixed Asset Ratio} = \frac{\text{Fixed_Assets}}{\text{Total Assets}} \times 100\%$$

RESEARCH METHOD

Explanatory research is the type of research used. According to Sugiyono (2016), the research method aims to explain the position of the studied variables and the impact of one variable on another. This research is a type of quantitative research. Quantitative analysis is research based on the positivism principle, used to analyze specific populations or samples, to collect data using research methods, to analyze statistical data to test predetermined hypotheses (Sugiyono, 2016).

The data used in this study is secondary data. Secondary data is data obtained, collected and processed in an existing form by other parties (Sugiyono, 2016). The data used in this research are the financial statements for the period 2014-2018 of the various industrial sector companies listed on the Indonesian Stock Exchange.

In this research, the sample selection process is a method of careful sampling. The purposeful sampling method is, according to Sugiyono (2016), a method of determining samples with certain considerations or parameters. Miscellaneous Industrial Sector Companies listed on the Indonesian Stock Exchange for the period 2014-2018, Miscellaneous Industry Sector Companies listed on the Indonesian Stock Exchange for the period 2014-2018, Miscellaneous Industry Sector Companies issuing annual financial reports as of 31 December for the period 2014-2018 are the requirements for evaluating the sample in this analysis. Miscellaneous Industry Sector Companies that display the data and information needed for this study for the 2014-2018 period, and the Miscellaneous Industry Sector Companies publish annual financial reports using the Rupiah currency during the 2014-2018 research period.

The regression equation in this study can be stated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Y = Capital Structure

α = Constant
 X_1 = Profitability
 X_2 = Sales Growth
 X_3 = Asset Structure
 β_1 = Regression Coefficient
 β_2 = Regression Coefficient
 β_3 = Coefficient Regression
 e = Error Term

Data normality test and classical assumption test are performed before performing the regression test. The normality test uses the Kolmogorov-Smirnov test. Meanwhile, the classical assumption test includes, multicollinearity test seen from the VIF value and tolerance value, heteroscedasticity test using the scatterplot model; autocorrelation test using the Durbin Watson test.

DISCUSSION

use of descriptive statistics for research variables is intended to provide an explanation that makes it easier for researchers to interpret the results of data analysis and discussion.

Descriptive Statistical Results

	DER	ROA	SG	FAR
Mean	1.856031	0.026323	0.125091	0.538299
Median	1.125754	0.019500	0.051142	0.476723
Maximum	14.29990	0.716023	9.403394	7.353597
Minimum	0.102445	-0.619649	-0.591635	0.098059
Std. Dev.	2.276108	0.123291	0.893465	0.682654

Source: Processed data

The research directions used is the method of multiple linear regression analysis. The Regression Analysis findings are as follows:

$Y = 0.346971 - 2.735518 X_1 + 0.048860 X_2 - 0.304487 X_3 + e$
 Y = Capital Structure (DER)
 X_1 = Profitability (ROA)
 X_2 = Sales Growth (SG)
 X_3 = Asset Structure (FAR)

It can be seen from the test results that the t-statistical value with a probability value of 0.0000 is -4.646318. That is, the probability value, namely 0.0000 < 0.05, is smaller than the significance value. It can therefore be concluded that, for part, the profitability variable has a significant adverse effect on the capital structure.

It can be shown from the results of the experiments that were performed that the t-statistic value is 0.868679 with a probability value of 0.3874. That is, the

probability value of 108, namely $0.3874 < 0.05$, is greater than the significance value. It can also be concluded that, in part, the Earnings Growth variable does not have a significant impact on the capital structure.

This study uses the asset structure as a control variable with the results of statistical tests obtained by a t-statistic value of -2.067716 with a probability value of 0.0087. That is, the probability value is smaller than the significance value, namely $0.0087 < 0.05$. So, it can be concluded that the Asset Structure control variable has a significant negative effect on the Capital Structure. Companies that have large fixed assets are collateral for obtaining loans. Information regarding the results of this study is useful for investors in making investment decisions in various industrial sectors.

CONCLUSION

In part, Profitability has a negative and substantial impact on the capital structure of the various companies in the industrial sector listed on the 2014-2018 Indonesian Stock Exchange. This is in accordance with Saraswati et al. (2018) research that the higher the profitability means that the higher the profit earned, the greater the retained earnings potential.

In part, sales growth does not have a significant impact on the capital structure of the various listed companies in the industrial sector. According to Helga (2018) on the Indonesia Stock Exchange 2014-2018, companies with high or low sales growth had less influence on the capital structure. As a control variable, the asset structure has had a negative and significant effect on the capital structure of the various industrial companies listed on the Indonesian Stock Exchange for the period 2014-2018. As a control variable, the asset structure has no significant positive effect on policy debt (Sari & Novita, 2019)

REFERENCES

- Sari, Novita. (2019). The Effect of Dividend Policy, Company Size, and Profitability on Debt Policy with Asset Structure as a Control Variable in Manufacturing Companies. Bachelor thesis, Putra Indonesia University "YPTK" Padang.
- Arabella, Helga. 2018. The Effect of Business Risk, Asset Structure, Sales Growth and Profitability on Capital Structure in Manufacturing Companies in the Basic Industry and Chemical Sector Listed on the Indonesia Stock Exchange. Yogyakarta. Indonesian Islamic University.
- Susanti, Yayuk and Agustin, Sasi. 2015. Factors Affecting the Capital Structure of Food and Beverages Companies. *Journal of Science and Management Reser*, 4(9).
- Utami, Saraswati Budi. Pratiwi, Dian. and Ghifaari, Sulthan Misbahul. The Influence of Sales Growth, Assets Turnover and Profitability on the capital structure of the transportation sub-sector companies listed on the Indonesia Stock Exchange (BEI) 2012-2016. Merdeka Madiun University. *Journal of Economics, Management and Accounting*, 7(1), 2018.
- Sugiyono. 2016. *Management Research Methods*. Setyawan. Bandung: Alfabeta

- Hapsari, Angga Ayu. 2017. The Effect of Asset Structure, Profitability, Company Size and Liquidity On Capital Structure (Empirical Study of Manufacturing and Non-Manufacturing Companies Listed in JII 2011-2015 Period). Surakarta State Islamic Institute.
- Mulyati, Y. (2016). Pengaruh Struktur Asset dan Pertumbuhan Penjualan Terhadap Kebijakan Utang. UNEJ e-Proceeding, pp. 813-831.
- Priambodo, Taruna Johni, Topowijono, and Azizah, Devi Farah. 2014. The Influence of Asset Structure, Sales Growth Rate and Profitability on Capital Structure (Studies on Textile and Garment Companies Listing on the IDX 2010-2012). Journal of Business Administration, 9(1), 1- 9.
- Siregar, Esther Priskilla. 2019. The Effect of Liquidity, Sales Growth, Asset Structure and Profitability On Capital Structure in Manufacturing Companies in IDX 2015-2018. Pancasakti University Tegal.
- Deviani, Made Yunitri. Sudjarni, Luh Komang. Pengaruh Tingkat Pertumbuhan, Struktur Aktiva, Profitabilitas dan Likuditas terhadap Struktur Modal Perusahaan Pertambangan di BEI. E-Jurnal Manajemen Universitas Udayana, 7(3), 2018, 1222-1254.
- Pramono, C. (2018). Pengaruh Suku Bunga, Struktur Aktiva dan Ukuran Perusahaan terhadap Struktur Modal dengan Moderasi Profitabilitas pada Perusahaan Sektor Aneka Industri di Bursa Efek Indonesia. JUMANT, 7(1), 45-56.
- Kasmir. 2017. Analisis Laporan Keuangan. Jakarta: Rajawali Pers.
- Priambodo, Taruna Johni, Topowijono, and Azizah, Devi Farah. 2014. Pengaruh Struktur Aktiva, Tingkat Pertumbuhan Penjualan dan Profitabilitas Terhadap Struktur Modal (Studi pada Perusahaan Tekstil dan Garmen yang Listing di BEI periode 2010-2012). Jurnal Administrasi Bisnis, 9(1), 1- 9.
- Eugene, F. Brigham and Joel F. Houston. 2011. Dasar-Dasar Manajemen Keuangan. Jakarta: Salemba Empat.
- Kartika, A. (2016). Pengaruh Profitabilitas, Struktur Aset, Pertumbuhan Penjualan dan Ukuran Perusahaan terhadap Struktur Modal Perusahaan Manufaktur di Bursa Efek Indonesia. INFOKAM, 12(1).
- Setiyanti, S. W., & Prawani SR, D. (2019). Pengaruh Profitabilitas, Ukuran Perusahaan, Struktur Aktiva dan Pertumbuhan Penjualan Terhadap Struktur Modal Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia Periode 2012-2016. Jurnal STIE Semarang (Edisi Elektronik), 11(2), 15-30.
- <http://bps.go.id>.