

The Effect Of Company Size, Liquidity And Profitability On The Capital Structure Of Automotive Companies Listed In Indonesia Stock Exchange (Idx) For The Period 2014 - 2018.

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ABSTRACT

This research aims to determine what factors can influence the capital structure of automotive sub-sector companies listed on the Indonesian stock exchange for the period 2015

- 2018. These factors include company size, liquidity and profitability. The methodology used in this research is quantitative associative with secondary data sources that come from financial reports that have been published by companies and the IDX. The data analysis technique in this study used a panel data regression model with E-Views software. The results of this study indicate that firm size has no effect on capital structure, which can be seen from this value t statistic $0.492999 < t\text{-table } 2.039$ and a probability value of $0.6255 > 0.05$.

Liquidity has an effect on the Capital Structure which can be seen from the t -table value of $-7.788281 > t\text{-table } 2.039$ and the probability value of $0.0000 < 0.05$ and Profitability has no effect on the company's capital structure which can be seen from the t -table value of 0.373531

$< t\text{-table } 2.039$ and the value probability $0.7113 > 0.05$. Simultaneously the variable company size, liquidity and profitability have an effect on the capital structure which can be seen from the value obtained by the F -table value of 2.91 , which means that the F -count is $22.32849 > F\text{-table } 2.91$ and the probability value of F -statistic is $0.00000 < 0.05$ with the magnitude of the influence of 65.301% while the remaining 34.699% which can be seen from the coefficient of determination test.

Key Word: Company Size, Liquidity, Profitability And Capital Structure

PRELIMINARY

It is undeniable that the current development has a big impact on the wheels of the economy of a country. One of them is the development of the automotive industry which is increasingly mushrooming which can be seen from the excellent marketing system so that many consumers make purchases of these products. An automotive company is one of the companies engaged in the design, development, production, marketing and sales of motor vehicles. The high consumer interest in automotive products causes the automotive industry to grow and it means that the higher competition that the automotive company will face.

The current level of competition requires companies to be more selective in choosing sources of funds to finance their activities. A source of funds is a source of financing that a company can use in financing its working capital, either from debt or from its own capital, both of which have a capital cost for services that have been given to the company. Based on the cost of capital, the company must manage the sources of funds it owns and distribute it to assets that do have beneficial values so as to provide more value for the company in paying its obligations.

Capital structure is a comparison between current liabilities and the company's own capital (Riyanto, 2010). J. Fred Weston and Thomas E Copeland (1996) say that the company's capital structure is a permanent financing consisting of long-term debt, preferred stock and shareholder capital. Capital structure describes the comparison of sources of funds received from debt and equity. If the source of funds from debt is greater, it will cause greater interest payments while the profits received by investors will be smaller. Conversely, the capital structure that comes from its own capital which is too large will have a greater tax burden paid by the company.

Table 1. Automotive Company Capital Structure for the Period of 2014 - 2018

No.	Company Name	2014	2015	2016	2017	2018
1	PT. Astra International Tbk	1.00	0.90	0.90	0.90	1.00
2	PT. Astra Otoparts Tbk	0.40	0.40	0.40	0.40	0.40
3	PT. Garuda Metalindo Tbk	0.70	0.20	0.20	0.40	0.50
4	PT. Indo Kordsa Tbk	0.70	0.60	0.50	0.40	0.30
5	PT. Indomobil Sukses International Tbk	2.50	2.70	2.80	2.30	3.00
6	PT. Indospring Tbk	0.30	0.30	0.20	0.10	0.10
7	PT. Selamat Sempurna Tbk	0.60	0.40	0.40	0.30	0.30

Source: www.idx.co.id

Based on table 1.1, it is known that the average value of the company's capital structure is below number 1 or below 100%, which means that the amount of own capital owned by the company is more than the amount of long-term debt it has. However, for the Indomobil Sukses International company the value of its Capital Structure is greater than 1 or 100%, this shows that the amount of long-term debt of the company is much greater than the amount of its own capital. The amount of company

debt that is too large causes the interest obligation to be paid by the company to be bigger and the profits that will be received by the owner of the capital will be smaller. If the profits distributed to the owners of capital are too small, it can make investors withdraw their investment and choose other companies that are able to offer much greater returns.

From these problems, company management needs to calculate and analyze the amount of funds that will be used to finance its productivity activities. The factors that can influence the company's capital structure include company size, liquidity and profitability. Company size is a scale that classifies the size of the company based on various ways such as long size, total assets and so on, where Machfoedz (1994) divides 3 groups of company sizes, namely small companies, medium companies and large companies. Riyanto (2013) states that company size is the size of the company which is controlled by its asset value, sales value and capital value. From some of these theories, it can be concluded that Company Size describes the Capital Structure that the company gets and is allocated in the number of assets as the company's investment. The greater the number of assets owned by the company, the greater the capital that can be used to carry out its productivity so that the company's sales and profits will be even greater, which in the end will be the retained earnings which can be used as capital that can be used in future periods.

Liquidity itself describes a company's ability to pay its short-term obligations, the higher the company's liquidity. Fred Weston in Cashmere (2012: 129) says that liquidity is a ratio that describes a company's ability to pay short-term debt at maturity using its current assets. The higher liquidity indicates the greater the company's ability to pay its obligations, however, the company's liquidity that is too high can cause the company's funds to be unemployed too much compared to the value of the benefits generated from these assets.

Profitability is the company's ability to generate profits from the number of assets it owns. Irham Fahmi (2014: 81) says that profitability is used to measure the effectiveness of management as a whole which is able to generate profits based on the number of sales it makes. The greater the productivity of the company, the bigger the sales target will be, which means that the company's profits will be even greater. This large profit can be a source of funding in the future, so that it will affect the Capital Structure.

RESULTS AND DISCUSSION

A. Panel Data Model Test

The following are some of the tests carried out to determine what model is most appropriate to use in this study:

1. Chow test

The chow test is used to compare the common effect or fixed effect models which are better used.

Tabel 2. Chow Test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	40.479962	(6,25)	0.0000
Cross-section Chi-square	83.008185	6	0.0000

Source : Processing E-Views data, 2020

Based on the Chow test table, it is known that the Chi-square Cross-section Probability Value is $0.000 < 0.05$ means that the fixed effect model is more suitable for use in this model. Then the Hausman test must then be carried out.

2. The Hausman Test

The Hausman test is used to compare which fixed effect or random effect models are better used.

Tabel 3. Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.339046	3	0.5051

Source : Processing E-Views data, 2020

Based on the Hausman test table, it is known that the random cross-section probability value is $0.5051 > 0.05$, meaning that the random effect model is more suitable for use in this model. Then the Multiple Langrange test must be carried out.

3. Multiple Langrange Test

Multiple Langrange test is used to compare the common effect or random effect models which are better used.

Table 4 Multiple Langrange Test

Lagrange multiplier (LM) test for panel data
 Date: 12/18/20 Time: 10:12
 Sample: 2014 2018
 Total panel observations: 35
 Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Honda	6.969636 (0.0000)	-1.455266 (0.9272)	3.899248 (0.0000)

Source : Processing E-Views data, 2020

Based on the Multiple Langrange test table, it is known that the Honda Cross- section Value is $0.000 < 0.05$, meaning that the random effect model is more suitable for use in this model. Then the Multiple Langrange test must be carried out.

From the three panel data regression model tests, it can be concluded that the random effect model is more appropriate to use in this study.

Table 5. Random effect model

Dependent Variable: DER1				
Method: Panel EGLS (Cross-section random effects)				
Date: 12/18/20 Time: 10:07				
Sample: 2014 2018				
Periods included: 5				
Cross-sections included: 7				
Total panel (balanced) observations: 35				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.179571	2.269395	-0.519774	0.6069
SIZE	0.068213	0.138363	0.492999	0.6255
CR	-0.002627	0.000337	-7.788281	0.0000
ROA	0.007300	0.019542	0.373531	0.7113
Effects Specification				
			S.D.	Rho
Cross-section random			0.721151	0.9324
Idiosyncratic random			0.194130	0.0676
Weighted Statistics				
R-squared	0.683627	Mean dependent var		-0.076120
Adjusted R-squared	0.653010	S.D. dependent var		0.326027
S.E. of regression	0.192049	Sum squared resid		1.143370
F-statistic	22.32849	Durbin-Watson stat		1.768396
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.539743	Mean dependent var		-0.636857
Sum squared resid	11.75154	Durbin-Watson stat		0.172057

Source : Processing E-Views data, 2020

Because the random effect model used in this study, it is not necessary to test the classical assumptions.

B. Panel Data Regression Test

To determine the functional relationship between the dependent variable, namely Size, Liquidity (Current Ratio) and Profitability (Return on Assets) on the dependent variable, namely capital structure (debt to equity ratio), the following multiple linear regression is used:

Table 6. Panel Data Regression Tes

Variable	Coefficient
C	-1.179571
SIZE	0.068213
CR	-0.002627
ROA	0.007300

Source : Processing E-Views data, 2020

Based on the panel data regression test table, the multiple linear regression analysis equation is as follows:

$$DER = -1,179571 + 0,068213 \text{ Size} - 0,002627 \text{ CR} + 0,007300 \text{ ROA} + \varepsilon$$

The multiple linear equation above has the following meanings:

- If Size, CR and ROA = 0, then DER (Y) is a constant value of -1.179571
- If Size increases by one unit, the DER will increase by 0.068213, assuming other variables are considered constant.
- If CR increases by one unit, then DER decreases by 0.002627, with the assumption that other variables are considered constant.
- If ROA increases by one unit, then DER will increase by 0.007300, assuming other variables are considered constant.

C. Hypothesis Test

1. F test

The F test is intended to test whether all the independent variables contained in the model have a joint influence on the dependent variable.

Table 7. F test

F-statistic	22.32849
Prob(F-statistic)	0.000000

Based on the F-test table, it is known that the F-statistic or F-count value is 22.32849, while the F-table with a level of $\alpha = 5\%$, $df_1 (k-1) = 3$, $df_2 (nk) = 31$. Obtained the F-table value 2.91 means that $F\text{-count } 22.32849 > F\text{-table } 2.91$ and the probability value of F-statistic is $0.00000 < 0.05$, then H_a is accepted, so it can be concluded that Size, CR and ROA together have an effect on DER (Capital Structure).

2. Test the coefficient of determination

Testing the coefficient of determination (R^2) aims to measure how far the model's ability to explain the variation of dependent variables. The value of the coefficient of determination is between zero and one. If the coefficient of determination of a model

is close to one, it means that the independent variables can provide almost all the information needed to explain variations in the dependent variable.

Table 8. R2 test

R-squared	0.68362
Adjusted R-squared	0.653011

Source : Processing E-Views data, 2020

Table 8 shows that the Adjusted R-squared value is 0.653010, meaning that the variation in the up and down change in DER can be explained by Size, CR and ROA of 65.301%. while the remaining 34.699% is explained by other variables not examined in this study.

3. The t-test

The t test is carried out to show how far the influence of one explanatory or independent variable individually in explaining the variation of the dependent variable, requires partial testing.

Tabel 9. T - Test

Variabl e	t-Statistic	Prob.
C	-0.519774	0.6069
SIZE	0.492999	0.6255
CR	-7.788281	0,0000
ROA	0.373531	0.7113

Source : Processing E-Views data, 2020

a. Effect of Size on Capital Structure (DER)

The t-statistic value or t-count Size is 0.492999, while the t-table value with a level of $\alpha = 5\%$, $df (n-k) = 31$, the t-table value is 2.039. Thus, t statistic $0.492999 < t\text{-table } 2.039$ and a probability value of $0.6255 > 0.05$, then H_1 is rejected, so it can be concluded that Size has no effect on capital structure.

Hapsari in Putu and Vivi (2015) states that the insignificant effect of Company Size on Capital Structure is due to large companies whose shares are widespread, where any expansion of share capital will only have a small effect on the possibility of loss of control from the more dominant party over the company concerned, namely the controlling shareholder who has greater decisions in controlling the company's management, compared to the minority shareholders, so that the decisions taken often ignore the decisions of the shareholder group, and vice versa.

The results of this study are supported by previous research conducted by Halim, et al (2013) and Ditya and Rusmala (2016) which states that company size has no effect on the company's capital structure. However, research conducted by Ayu and Mertha states that company size affects the company's capital structure.

b. Effect of Liquidity (CR) on Capital Structure (DER)

The t-statistic value or the CR t-count is -7.788281, while the t-table value with a level of $\alpha = 5\%$, $df (n-k) = 31$, the t-table value is 2.039. Thus, t statistic $-7.788281 > t\text{-table } 2.039$

table 2.039 and probability value $0.0000 < 0.05$, then H_1 is accepted so that it can be concluded that CR has a negative effect on the Capital Structure.

Has a negative effect The company's liquidity indicates that if the company's liquidity increases, the capital structure will decrease, this is because companies that have too high liquidity will cause funds that are embedded in the company's current assets to tend to be unemployed and unable to provide more benefits to the company, so they will not add to the company's capital structure in terms of its retained earnings. The company's management needs to evaluate the policy for allocating funds to each account in its current assets so that these assets can be more effective and generate use value for the company.

The results of this study are supported by previous research conducted by Ditya and Rusmala (2016), which states that Liquidity has an effect on Capital Structure. However, it is contrary to the results of research conducted by Dahlena (2017) which states that company liquidity has an effect on capital structure.

c. Effect of Profitability (ROA) on Capital Structure (DER)

The t-statistic or t-count ROA value is 0.373531, while the t-table value with a level of $\alpha = 5\%$, $df (n-k) = 31$, the t-table value is 2.039. Thus, t statistic $0.373531 < t\text{-table}$ 2.039 and a probability value of $0.7113 > 0.05$, so H_1 is rejected, so it can be concluded that ROA has no effect on capital structure.

Nugrahani and Sampurno (2012) in their research stated that profitability has a negative and insignificant effect on capital structure. This is because companies with high levels of profitability have low levels of debt, because companies with high profitability have abundant internal sources of funds. According to the pecking order theory, companies prefer to use internal funding sources or internal funding rather than external funding. The internal funds are obtained from retained earnings resulting from the company's operational activities.

The results of this study are supported by previous research conducted by Nugrahani and Sampurno (2012) and Ditya and Rusmala (2016) which stated that profitability has no effect on capital structure. However, contrary to the results of research conducted by Ayu and Mertha (2017), Dahlena (2017), Putu and Made (2014) and Halim et al (2013) which states that profitability affects capital structure.

CONCLUSION

Based on the analysis that has been done, there are several conclusions in this study.

1. Company Size (Size) has no effect on the Capital Structure of the Automotive company for the period 2014 - 2018.
2. Liquidity (CR) affects the Capital Structure of Automotive companies for the period 2014 - 2018.
3. Profitability (ROA) has no effect on the Capital Structure of Automotive companies for the period 2014 - 2018.
4. Company Size (Size), Liquidity (CR) and Profitability (ROA) have an effect on the Capital Structure of Automotive companies for the period 2014 - 2018.

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