



Analysis Of Factors Affecting Capital Structure (Empire Study On Lq45 Companies Listed On The Indonesia Stock Exchange)

Tiffany Natalia Petronela Gah

Politeknik Negeri Kupang

ARTICLE INFO

Article history:

Received Sep 9, 2022
Revised Okt 10, 2022
Accepted Okt 13, 2022

Keywords:

Capital Structure
Profitability
Company Age
Company Size
and Liquidity

ABSTRACT

This study aims to see what factors affect the capital structure. This study uses secondary data related to LQ45 indexed companies listed on the Indonesia Stock Exchange in 2020-2021. The sample of this research is 40 companies indexed by LQ45 with purposive sampling method. The results of this study indicate that profitability, firm age, and firm size have no effect on capital structure and only liquidity has an effect on capital structure. The age of the company does not affect the capital structure, this shows that the age of the company does not guarantee a company in determining financial policies in the company's financial management. Next is that the size of the company has no influence on the capital structure because large-scale companies are more likely to have sufficient funds to carry out the company's operational activities. Finally, liquidity has an influence on the capital structure. High liquidity illustrates that the company has sufficient current assets to finance its current debt.

This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license.



Corresponding Author:

Tiffany Natalia Petronela Gah,
Politeknik Negeri Kupang,
Lasiana, Kec. Klp. Lima, Kota Kupang, Nusa Tenggara Tim. 85258
Email: tiffanygah@gmail.com

INTRODUCTION

The Covid-19 pandemic has increased the number of investors from 2020 to 2021 by 92.7% to 7.48 million investors from 3.88 million in December 2020 (www.idx.id). In connection with the increase in the number of investors on the Indonesia Stock Exchange (IDX) it must be aligned with the knowledge of investors in investing. One of the basic knowledge that investors must know is about the company's capital structure. Why the capital structure must be known, because this is related to the risks and returns (profits) that will be obtained by investors. Where prospective investors will definitely choose to invest in companies that have low risk but expect greater profits (Miraza, 2017).

Companies that exist in the country and abroad must be able to compete along with the development of technology, (Sha, 2019). Companies are required to always innovate by maintaining or improving existing products. In addition, the company must be able to manage its resources in order to obtain maximum profit. One of them is proper financial management related to the company's capital structure. Sources of funding a company comes from external and internal.

Companies must also be able to determine strategies in determining the composition of a good capital structure.

If the percentage of funding sources that come from debt is large, then the fixed costs such as interest payments and installments are also large. This can pose a financial risk. A bad or good capital structure will always affect a company's financial performance, therefore the capital structure is an important thing to analyze (Darsono, 2017). Determination of capital structure is influenced by several factors. The first factor is the profit or profit obtained from the operational activities of a company. If the profit earned is large, it can increase the source of funds for the company so as to reduce dependence on funds from external parties.

The next factor is the level of liquidity, if the level of liquidity is high it can reduce the capital structure. Why can reduce the capital structure, because more sources of funds for operational activities come from the company's internal parties compared to external parties. In addition, the next factor is the age of the company. The age of the company determines the image of the company itself. The longer the company has been listed on the Indonesia Stock Exchange (IDX), it means that the company has the ability to compete, develop, and survive in various conditions. This shows a good company image and can attract investors to invest their capital (Nindiani and Arilyn, 2019).

The capital structure can also be influenced by the size of the company, where the size of the company can describe how big or small the total assets owned by a company are. Company size can also encourage a company to use external sources of funds if internal funds cannot meet the needs for operational activities. In connection with the explanation above, an analysis related to the capital structure is important to do because it can be useful for making decisions to invest, therefore this study wants to see whether profitability, liquidity, company age and company size have an influence on the capital structure of listed LQ45 companies. on the IDX. LQ45 is an index consisting of 45 stocks with the largest capitalization and highest trading volume, therefore the researcher chose companies in the LQ 45 index as the object of this study.

METHOD

Population and Research Sample

The population used in this study are all companies that are included in the LQ45 index listed on the Indonesia Stock Exchange in 2020 and 2021. The sample selection technique used in this study is purposive sampling. The criteria used in this technique are:

1. Companies that are included in the LQ45 index consistently from 2020-2021,
2. LQ45 Index Companies that issue audited financial statements.
3. LQ45 company that earns profit from 2020-2021

The number of samples in this study were 40 companies, and the research period was two years and the total number of data was 80 data.

Data collection technique

The data used in this study is secondary data and the source of the data comes from annual reports and company financial reports from the official website of the Indonesia Stock Exchange (IDX) www.idx.co.id. After all the data collected will be analyzed by the SPSS test tool.

Table 1. collection technique

Variable	Proxy	Scale	Source
Capital Structure	$DER = \frac{\text{Total debt}}{\text{Total equity}}$	Ratio	Margana and Wiagustini (2019)
Company Age	$AGE = \text{Tahun penelitian} - \text{tahun IPO di BEI}$	Ratio	Margana and Wiagustini (2019)
Profitability	$ROA = \frac{\text{Profit after tax}}{\text{Total asset}}$	Ratio	Cahyani and Handayani (2017)

Liquidity

$$CR = \frac{\text{Current asset}}{\text{Current liabilities}}$$

Ratio Dewi and Fachrurrozie (2021)

Company Size

$$SIZE = \log_{\text{natural}} \text{total asset}$$

Ratio Cahyani and Handayani (2017)

Data analysis technique

All data that has been collected will be analyzed with the calculations that have been presented in the formula above. After being calculated based on these formulas, it will be analyzed using the SPSS test tool. This study uses data analysis technique is multiple linear analysis with quantitative methods. This regression analysis aims to test whether there is an influence between the independent variable and the dependent variable.

RESULTS AND DISCUSSIONS

Table 2. Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Profitability	80	30,510	-2,800	27,710	4,60948	5,466290	29.880	1.631	.269
Age	80	34.00	5.00	39.00	20.9000	9.08135	82.471	.011	.269
Size	80	19,33	12,42	31,75	19,9507	4,98906	24.891	1.028	.269
Liquidity	80	6,96	,23	7,19	1,9664	1,31619	1.732	1.692	.269
Capital Structure	80	15,93	,15	16,08	1,9612	2,78448	7.753	3.328	.269
Valid N (listwise)	80								

The descriptive analysis table above shows the data used in this study as many as 80 observed from 40 companies indexed LQ45 on the Indonesia Stock Exchange from 2020-2021. The research variables used in this study are profitability, firm age, firm size, liquidity, and capital structure.

Data Normality Test

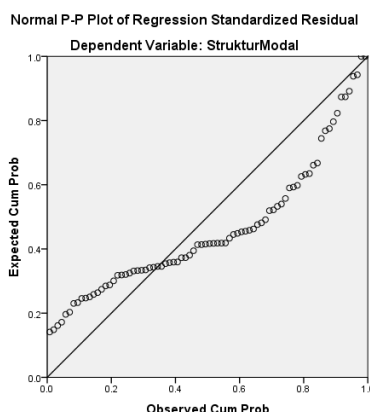


Figure 2. Normality Test

Based on the two figures above, it can be seen that the data is normally distributed. The data requirements are said to be abnormal if the dotted line moves away from the diagonal line, or is spread out and does not approach the diagonal line. It can be seen from the picture above that the points are close and not spread out and close to the diagonal line, it can be concluded that the data is normally distributed.

**Table 3. Multiple Regression Test
T TEST**

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.851	1.708		2.255	.027
	Profitabilitas	-.085	.063	-.167	-1.341	.184
	Umur	-.046	.034	-.149	-1.330	.188
	Ukuran	.040	.071	.072	.568	.572
	Likuiditas	-.682	.283	-.322	-2.410	.018

a. Dependent Variable: StrukturModal

Based on the table above, the hypothesis can be explained as follows:

1. Profitability has a significant value of 0.184 > 0.05, meaning that the hypothesis that profitability has an influence on capital structure is rejected.
2. The age of the company has a significant value of 0.188 > 0.05, meaning that the hypothesis that the age of the company has an influence on the capital structure is rejected.
3. Firm size has a significant value of 0.572 > 0.05, meaning that the hypothesis of firm size has an effect on capital structure is rejected.
4. Liquidity has a significant value of 0.018 < 0.05, meaning that the Liquidity hypothesis has an influence on the capital structure is accepted.

Table 4. F Uji test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	134.897	4	33.724	5.296	.001 ^b
	Residual	477.614	75	6.368		
	Total	612.511	79			

a. Dependent Variable: StrukturModal

b. Predictors: (Constant), Likuiditas, Umur, Profitabilitas, Ukuran

Based on the table above shows that the significance value is 0.001 < 0.05. This shows that liquidity, company age, profitability and company size together affect the capital structure.

Coefficient of Determination Test.

Based on the results of the SPSS test in the table below, it can be seen that the R Square value is 0.220 or 22%. This shows that the independent variables are able to explain the capital structure as the dependent variable by 22%, meaning that the remaining 78% is influenced by other variables not tested in this study.

Table 5. Coefficient of Determination Test.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469 ^a	.220	.179	2,52353

a. Predictors: (Constant), Likuiditas, Umur, Profitabilitas, Ukuran

b. Dependent Variable: StrukturModal

Discussion

Effect of Profitability on Capital Structure

Profitability has no effect on the capital structure. These results are in line with research conducted by Bako and Marsoem, (2020) and Darmayanti, (2018). In addition, this study is not in line with research by Khafid et al, (2020) which states that profitability has an influence on capital structure. Profitability describes how a company utilizes company assets properly to obtain maximum profit. Based on the data collected, it shows that the profitability value of the LQ45 company is quite low from 2020-2021. The theory of capital structure developed by Miller which is associated with tax income and tax income, where interest costs can save interest payments because it can reduce taxable profit so that the tax paid by the company is smaller.

Effect of Company Age on Capital Structure

The results of this study indicate that the age of the company has no effect on the capital structure. This can be explained that companies that have been developing for a long time or new companies cannot affect the capital structure. This is because the old and new companies cannot influence in determining the company's financial policies because the main thing in running the company is how to manage finances and provide useful information for users of financial statements. This research is not in line with the research conducted by Wardana (2015) but is in line with the research conducted by Mariani (2021).

Effect of Firm Size on Capital Structure

Based on the results of this study indicate that the size of the company does not have a positive effect on the capital structure. The size of a company cannot be used as a benchmark to determine the capital structure of a company. This is because companies with large scales tend to have achieved faster growth and have good business prospects in the long term, and these companies also already have sufficient internal funds to carry out their company's operational activities. Companies that have sufficient internal funds prefer to use internal funds compared to borrowing funds from external parties.

Effect of Liquidity on Capital Structure

Liquidity has an influence on the capital structure. The results of this study are in line with research conducted by Kenji, (2020), and Baku and Marsoem, (2020). Liquidity describes how the company's ability to pay off its short-term debt. The high liquidity of a company shows that the current assets owned by the company are also high so that it can finance its current debt and to meet the company's operational activities. In addition, a high level of liquidity indicates that the company has large internal funds so that it does not need to borrow funds from external parties.

CONCLUSION

Based on the results of the study that of the four independent variables, namely profitability, company age, company size, and liquidity, only the liquidity variable affects the capital structure. Profitability has no effect because the profitability value is quite low. This shows that the company has not maximally used its assets to make a profit. The age of the company does not affect the capital structure, this shows that the age of the company does not guarantee a company in determining financial policies in the company's financial management. Next is that the size of the company has no influence on the capital structure because large-scale companies are more likely to have sufficient funds to carry out the company's operational activities. Finally, liquidity has an influence on the capital structure. High liquidity illustrates that the company has sufficient current assets to finance its current debt. This study only uses research data for two years, if further researchers want to conduct research, they can extend the research period. Based on the results of R Square of 22%, the researchers looked for other factors that could explain the capital structure of 78%.

References

- Alam, M. S. & Kurniasih A. (2020). Determinant of Capital Structure of Property & Real Estate Companies in Indonesia Stock Exchange. *Dinasti International of Economics, Finance & Accounting*, 1(4), 659-668.
- Anum, Fatima. (2018). Analysis Factors of Affecting Capital Structure with Firm Size as Moderating Variable in Consumer Goods Companies Listed on BEI. *International Journal of Public Budgeting, Accounting and Finance*, 20(7), 98-106.
- Ariyani, H. F., Pangestuti, I., & Raharjo, S. T. (2019). The Effect of Asset Structure, Profitability, Company Size, and Company Growth on Capital Structure (The Study of Manufacturing Companies Listed on the IDX for the Period 2013 - 2017). *Jurnal Bisnis Strategi*, 27(2), 123-136.
- Arlita, D. P. & Surjandari, D. A. (2019). The Effect of Profitability, Liquidity, Asset Structure, Growth Opportunity, Institutional Ownership on Capital Structure (Case Study at Property and Real Estate Companies in Indonesia Stock Exchange Period 2013-2017). *Scholars Bulletin*, 5(8), 461-470.
- Bako, S. M. & Marsoem, B. S. (2020). Determinant of Capital Structure of Coal Sub- Sector Mining Companies Listed on Indonesai Stock Exchange. *International Journal of Innovative Science and Research Technology*, 5(9), 1446-1454.
- Cahyani, N. I., & Handayani, N. (2017). Pengaruh Profitabilitas, Likuiditas, Size, Kepemilikan Institusional, dan Tangibility Terhadap Struktur Modal. *Jurnal Ilmu dan Riset Akuntansi*, 6(2), 614-630.
- Damayanti, Dwi.(2016)."Pengaruh Struktur Modal, Profitabilitas, Ukuran Perusahaan, dan Kebijakan Deviden terhadap Nilai Perusahaan".Naskah Publikasi Fakultas Ekonomi dan Bisnis Universitas Muhammadiyah Surakarta
- Dewi, C. R. & Fachrurrozie. (2021). The Effect of Profitability, Liquidity, and Asset Structure on Capital Structure with Firm Size as Moderating Variable. *Accounting Analysis Journal*, 10(1), 32-38.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4), 305- 360.
- Kenji & Rasyid, R. (2020). Faktor-Faktor yang Mempengaruhi Capital Structure Perusahaan Manufaktur Sektor Industri Barang Konsumsi. *Jurnal Multiparadigma Akuntansi Tarumanagara*, 2 (April), 687-696.
- Khafid, M., Prihatni, R. dan Safitri, I. M. (2020). The Effects of Managerial Ownership, Institutional Ownership, and Profitability on Capital Structure: Firm Size as the Moderating Variable. *International Journal of Financial Research*, 11(4), 493-501.
- Kieschnick, R. & Moussawi, R. (2018). Firm Age, Corporate Governance, and Capital Structure Choices. *Journal of Corporate Finance*, 48, 597-614.
- Laksana, I. F. & Widyawati, D. (2016). Pengaruh Kepemilikan Saham, Kebijakan Dividen, Tangibility, Size, dan Profitabilitas terhadap Struktur Modal. *Jurnal Ilmu dan Riset Akuntansi*. 5(4), 1-18.
- Margana, M. Y. R. & Wiagustini, N. L. P. (2019). The Effect of Institutional Ownership, Managerial Ownership, and Firm Age on Capital Structure of Consumer Goods Companies listed on Indonesia Stock Exchange. *American Journal Humanities and Social Sciences Research*, 3(11), 167-175.
- Mariani, D. (2021). Pengaruh Profitabilitas, Umur Perusahaan, Struktur Kepemilikan Institusional, dan Ukuran Perusahaan terhadap Struktur Modal pada Perusahaan Property dan Real Estate yang Terdaftar di BEI. *Jurnal Akuntansi dan Keuangan*, 10(1), 55-70.
- Miraza, C. N. & Muniruddin, S. (2017). Pengaruh Kepemilikan Institusional, Kepemilikan Manajerial, Variabilitas Pendapatan, Corporate Tax Rate, dan Non Debt Tax Shield terhadap Struktur

- Modal pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2011-2015. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi Unsyiah*, 2(3), 73-85.
- Nindiani, F. & Arilyn, E. J. (2020). Factor in Capital Structure and Its Influence on Total Debt Ratio of Automotive Industry. *Jurnal Bisnis Dan Akuntansi* 21, 1a (2), 203- 210. <https://doi.org/10.34208/jba.v21i1a-2.757>.
- Puspita, R.P.I. & Suherman. (2018). The Impact of Dividend Policy, Managerial Ownership, Institutional Ownership to Capital Structure On Manufacturing Company in Indonesia Stock Exchange (Idx) Period 2012-2016. *Journal of Business and Behavioural Entrepreneurship*, 1(2), 28-39.
- Sha, Thio Lie. (2019). Faktor Yang Mempengaruhi Capital Structure Pada Sektor Industri Dasar dan Kimia. *Jurnal Ekonomi*, 24(1), 94-110.
- Suherman, Purnamasari, R. & Mardiyati, U. (2019). Pengaruh Struktur Aset, Likuiditas, dan Profitabilitas terhadap Struktur Modal Dimoderasi oleh Ukura perusahaan. *Jurnal Ilmiah Manajemen*, 9(2), 369-381.
- Sugiyono. (2019). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta, cv.
- Syairozi, M. I., & Rosyad, S. (2022). Inovasi Daun Lontar Untuk Meningkatkan Produktivitas Masyarakat Desa Lawanganagung. *Jurnal Pengabdian kepada Masyarakat Nusantara*, 3(1), 131-136.
- Syairozi, M. I. (2020). Analisis Kemiskinan di Sektor Pertanian (Studi Kasus Komoditas Padi di Kabupaten Malang). *Media Ekonomi*, 28(2), 113-128.
- Utami, Elok Sri. (2019). Analysis Capital Structure on Indonesia Stock Exchange. *Advances in Economics, Business and Management Research*, 100, 686-690.
- Wardana, I P. A. D. & Sudiarta, G. M. (2015). Pengaruh Likuiditas, Ukuran Perusahaan, Risiko Bisnis dan Usia Perusahaan Terhadap Struktur Modal Pada Industri Pariwisata Di Bursa Efek Indonesia Periode 2010-2013. *E-Jurnal Manajemen Universitas Udayana*, 4(6), 1701-1721.