



Analysis of assets structure, net profit margin and current ratio to capital structure

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Article Info

Article history:

Received Jan 12th, 2022

Revised March 20th, 2022

Accepted Apr 26th, 2022

Keyword:

Asset Structure; Net Profit Margin;

Current Ratio; Capital Structure

ABSTRACT

This study aims to analyze the effect of asset structure, net profit margin, and current ratio on the capital structure of telecommunications companies listed on the Indonesia Stock Exchange. The analysis used in this research is multiple regression analysis. The sample used in this study were 6 telecommunications companies listed on the Indonesia Stock Exchange, the data collection period was 2016-2020. This research method uses multiple regression analysis with a significant level of 5%. The results show that simultaneously the asset structure, probability, current ratio has a significant effect on telecommunication companies listed on the IDX for the 2016-2020 period and partially the asset structure has a positive effect on the company's capital structure, the probability value has a positive effect on the capital structure. current ratio has no effect on the structure of telecommunications companies on the IDX for the 2016-2020 period.



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INTRODUCTION

In its business activities, service companies require a fairly high source of funds. This is because the funds from this company are embedded into a form of assets that are the company's inventory. Developments like today the design of service sectors have become very strict, so this condition makes each company try each other to be able to maintain the continuity of the company. In a financial management company, it is one of the main elements that need to be considered because it is directly related to the ability of a company to meet the needs of funds for the operation of the company and business development. Capital structure is a balance or comparison between foreign capital and own capital (Ni Luh Gede, 2017). Foreign capital is defined in this case as long-term or short-term debt, while own capital is divided into retained earnings and can also be included in ownership. The basis of the capital structure of an enterprise is how the use of own capital and the use of debts. The capital structure shows the proportion of debt use to finance the company's investment, so that by knowing the capital structure investors can find out the balance between risk and the rate of return on their investment. In addition, the management of capital structure can form funding decisions and investment plans made by the company that can minimize the cost of capital so that it can maximize business in achieving one of the company's goals, namely the welfare of shareholders (Djakman and Halomoan, 2001). In managing the company, you must be very careful because there are factors that can affect the selection of capital structure because each factor has different consequences. Determining the company's capital structure must consider several important factors because these factors can have a direct impact on the company's finances. These factors include asset structure, profitability (Net Profit Margin) and liquidity (Current Ratio).

Capital structure is part of the financial structure which can be interpreted as permanent spending that reflects the balance between long-term debt and own capital. Capital structure is a balance or comparison between the amount of long-term debt and own capital (Riyanto, 2001). According to Husnan (2000) capital structure is a balance or comparison between foreign capital and own capital. According to Nurrohim (2012) capital structure is a permanent expenditure that reflects the consideration or comparison between long-term debt and own capital. According to Siti (2010) capital structure is a balance of the amount of permanent short-term debt, long-term debt, preferred shares and ordinary shares in a company. In making investments, the company strives to create value, that is, the difference between the return on the project and the economic value sacrificed for the project.

Weston (2010) stated the asset structure is the ratio between fixed assets and total assets owned by the company or a comparison both in the absolute and relative meanings between current assets and fixed assets. The structure of assets affects the sources of financing in several ways. The company has fixed assets, which are large amounts, especially those that produce products that consumers need quite convincingly will use a lot of long-term debt. According to Tias (2014) Asset structure is the wealth owned by the company which is expected to provide benefits in the future. Companies with a good asset structure must have large assets. Companies that have sufficient assets to fund their operations tend to use less debt than companies with fewer assets. So that the higher the company's assets, the lower the use of company debt.

In building a company in general, it is established to make a profit or profit both in the short term and profit in the long term. In general, profitability is the ability of a company to make a profit in relation to sales, total assets and own capital. According to Tias (2014), profitability is a ratio that measures a company's ability to make a profit. A higher net profit margin indicates that the entity achieves a greater bottom-line profit on its sales but its profit margin also depends on where the entity operates because it generally has a high profit margin or a low profit margin. Companies that have a high level of profitability tend to use internal funding sources to fund their company's operational activities, so the level of debt repayment is also relatively low. On the contrary, if the company tends to use funds from external in funding its operational activities, the probability level is low and the rate of repayment of its debt is high.

The liquidity position of the company relates to whether the company's liquidity position relates to whether the company is able to pay off its obligations that are due in the short term. According to Tias (2014), Liquidity is the company's ability to fulfill its corporate obligations. Companies that have a high level of liquidity tend to use internal funding sources to fund their operational activities so that the company has low debt. When the use of own capital is higher than the use of debt, the company can fulfill its obligations. This can lead to a level of trust of creditors in the company. So that the more the company can fulfill its obligations, the easier it will be for the company to gain the trust of creditors. Companies that have won the trust of creditors will easily obtain debts.

This research is a replication of previous research on Companies Going Public on the Indonesia Stock Exchange in their research: probability (measured by Net Profit Margin), Liquidity (measured by current ratio) and asset structure, The dependent variable used is the capital structure. The population used is 36 property and real estate companies listed on the Indonesia Stock Exchange in 2013-2015. The results showed that simultaneously there was a significant influence between the asset structure, net profit margin and current ratio to the capital structure. Another fact found is that partially the asset structure, net profit margin and current ratio are all significantly negative in relation to the capital structure. Siti's research (2010) which showed the results showed that NPM had no effect on DER, QR had no effect on negative DER, and the asset structure was proven to empirically negatively affect DER. Budiman's research (2014), whose results of the study found that profitability measured by NPM had no effect on DER in a positive direction, liquidity measured by QR did not affect DER in a negative direction, and asset structure measured by asset structure was proven to empirically negatively affect DER. Putu's research (2015) whose results showed liquidity, company size and company age partially had a significant negative effect on the capital structure. while business risk has a significant positive influence on the capital structure of the tourism industry on the Indonesian stock exchange for the period 2010-2013. Kartika's research (2016) whose results showed that profitability negatively affects the capital structure, asset structure has no effect, sales growth has no effect, and the size of the company has a positive effect. Dede Hertina's research (2019) whose results showed simultaneously the size of the company, debt policy, and profitability influenced the value of the company.

FRAME OF MIND

Based on the background of the problem, the formulation of the problem and the review of previous research, the framework of thought can be described as follows:

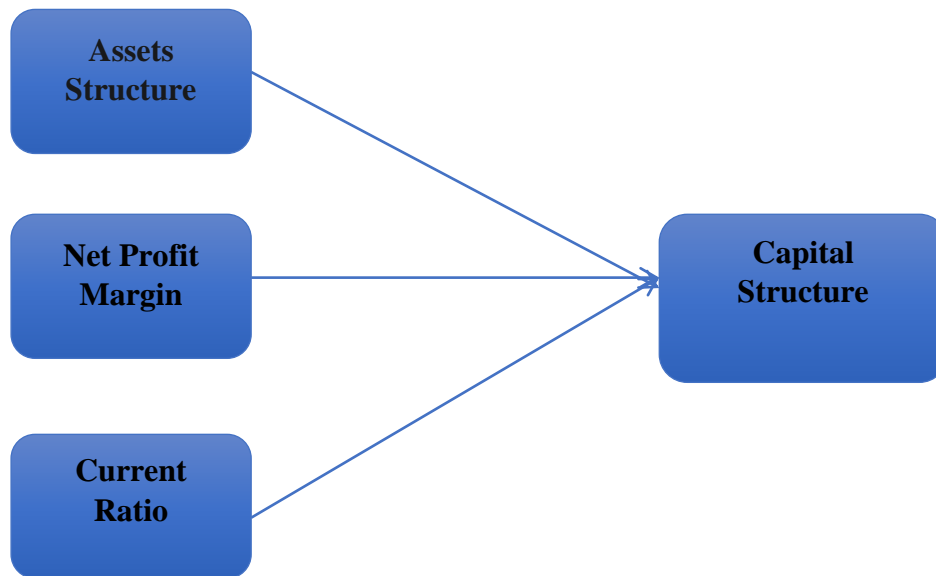


Figure 1. Conceptual Framework

Effect of Asset Structure on Capital Structure

Companies with a good asset structure directly have a very large positive impact on the company. The positive impact is in the form of large assets. If the company's assets are getting bigger, then the company does not need additional funds in the form of debt. Therefore, the higher the value of the asset structure, the higher the value of the capital structure due to the small value of debt.

The Effect of Profitability on Capital Structure

Companies that have high profitability will fund their operational activities using internal funding sources rather than external funding sources. Companies that have a large source of internal funding tend to use large retained earnings rather than supplementing the company's debt. Thus, high profitability will increase the value of the company's capital receipt because the company does not use funding sources derived from debt. Increased profitability will increase the attractiveness of external parties (investors and creditors), and if creditors are increasingly interested in investing their funds into the company, it is very likely that the debt ratio will also increase

The Effect of Liquidity on Capital Structure

Companies that have small debts tend to have high liquidity capabilities. With high liquidity capabilities, the company can reduce the company's risk level by reducing debt. So that companies that have high liquidity capabilities are increasingly able to use internal funding sources in funding their operational activities.

Capital Structure (Y) which is measured using the Debt to Equity Ratio (DER) ratio, which is a ratio that shows the company's own capital ability to fulfill all its obligations.

Hypothesis

H₁ :Struktur Assets, Net Profit Margin, Current Ratio Ratios simultaneously affect the Capital Structure

H₂ :Struktour Assets have a partial effect on capital structure

H₃ :Net Profit Margin partially affects the Capital Structure

H₄ :Current Ratio partially affects the capital structure

RESULTS AND DISCUSSION

Multiple Linear Regression

Table 1. Multiple Linear Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.782888	6.787645	2.409993	0.0452
X1	0.269433	0.148378	1.815848	0.0201
X2	0.141846	0.110383	1.285025	0.0432
X3	-0.135504	0.190491	-0.711341	0.3709
R-squared	0.167248	Mean dependent var		9.865667
Adjusted R-squared	0.071161	S.D. dependent var		13.47438
S.E. of regression	12.98611	Akaike info criterion		8.089204
Sum squared resid	4384.616	Schwarz criterion		8.276030
Log likelihood	-117.3381	Hannan-Quinn criter.		8.148971
F-statistic	1.740590	Durbin-Watson stat		0.890390
Prob(F-statistic)	0.023336			

Source: Data Processing Results (2021)

Based on the calculation results in the E-Views application, this multiple linear regression model is obtained which is expressed in the form of a formula equation, namely:

$$Y = 2,782 + 0,269X_1 + 0,141X_2 - 0,135X_3 + e$$

Effect of Asset Structure, Net Profit Margin and Current Ratio on Capital Structure in Telecommunication Companies Listed on the Indonesia Stock Exchange in 2016-2020.

Test f (Simultaneous Test)

Based on the hypothesis test, the Prob value, it can be seen that the value of Prob (F-Statistics of 0.023336 is less than 0.05. It means simultaneously the structure of assets, probabilities,. Based on the hypothesis test, it can be seen that the value of Prob (F-Statistics of 0.023336 is less than 0.05. This means that simultaneously the structure of assets, probabilities, current ratios have a significant effect on telecommunications companies listed on the IDX for the period 2016-2020. This is in line with the results of research conducted by Hasrul (2018) which states that simultaneously the variables of Asset Structure, Net Profit Margin and Current Ratio have a significant effect on the Capital Structure.

Effect of Asset Structure on Capital Structure in Telecommunications Companies Listed on the Indonesia Stock Exchange in 2016-2020

Based on the calculation results obtained a significant value of t from the variable asset structure of 0.0201 less than 0.05, it can be interpreted that H_1 is accepted and H_0 is rejected. This means that partially the asset structure has a significant effect on the capital structure of telecommunications companies for the 2016-2020 period. This result in line with the results of research conducted by Rahmawati, et al (2017) stated that the asset structure affects the capital structure. The different results were shown by research conducted by Nur Indah (2018) and Kanita (2014) where the results showed that the asset structure did not affect the capital structure.

The Effect of Profitability on Capital Structure in Telecommunications Companies Listed on the Indonesia Stock Exchange in 2016-2020

Based on the calculation results obtained a significant value of t from the probability variable of 0.0432 less than 0.05 so that H_2 is accepted and H_0 is rejected. This means that partially the probability of a significant effect on the capital structure of telecommunications companies for the period 2016-2020. This is in line with the results of Hasrul's research (2018) which states that the asset structure variables have a partial effect on the Capital Structure and the results of different studies state that they are not in line with Kartika's research (2016) which states that the asset structure does not affect the company's capital structure.

Effect of Current Ratio on Capital Structure in Telecommunication Companies Listed on the Indonesia Stock Exchange in 2016-2020

Based on the calculation results obtained a significant value of t from the current ratio of 0.3709 greater than 0.05 so that H_3 is rejected and H_0 is accepted. This means that the current ratio does not have a significant effect on the capital structure of telecommunications companies for the 2016-2020 period. This is in line with Putu's research (2015) which states that the current ratio has a significant negative influence on the capital structure in the tourism industry and is not in line with Hasrul's research (2018) which states that the Current Ratio variable partially affects the Capital Structure.

CONCLUSION

1. Simultaneously, the asset structure, probability, current ratio have a significant effect on telecommunications companies listed on the IDX for the period 2016-2020.
2. The asset structure has a positive and significant effect on the company's capital structure. This shows that the high value of the company's fixed assets will affect the company's capital structure.
3. Probability has a positive and significant effect on the capital structure of the enterprise. This shows that the greater the probability of a company eating the greater the company's capital structure.
4. The current ratio has no effect on the company's capital structure. This shows that the company's ability to repay debts has no effect on the company's capital structure.

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