Trade off Theory Testing on Company Capital Structure Compass Stock Index 100

Denni Hutapea[1], Munawarah[2], Angelia Cunata[3], Calvin[4]

[1,2,3,4]*Universitas Prima Indonesia Medan*
noramunawarah88@gmail.com

Abstract

The research objective was to determine the effect of asset structure, profitability, company size and sales growth on capital structureKompas Stock Index Company 100. Quantitative research approach with explanatory types of research. There are 100 companies in Kompas 100 with the use of a sample of 40 companies with a total of 200 observational data. The result is that the asset structure, profitability, firm size have an effect oncapital structure Kompas Stock Index Company 100. Sales growth has no effect oncapital structure Kompas Stock Index Company 100. Asset structure, profitability, company size and sales growth have an effect on capital structure Kompas Stock Index Company 100.

I. Introduction

Humans to meet their needs must work both work in their own or in the property of others by receiving wages to meet their needs and family. Every person who does work must be protected from the dangers that will arise in the work relationship, whether it is injury, injury, death and others. For this reason, every worker always tries to avoid the incident from happening again. Every worker in carrying out their work must receive protection for occupational safety and health in accordance with human dignity and dignity, so that workers feel comfortable and safe working in the company (Marbun, 2020).

Nowadays the economy is getting more advanced, where the competition that occurs between companies is getting tighter both in terms of sales, production and product promotion in order to maintain the company's survival in the future. This operating company cannot be separated from the capital structure. Therefore the company also needs capital assistance in financing its operations. Usually companies use debt to finance company activities by considering risks in order to achieve optimal capital structure.

The capital structure has two policies, namely the pecking order theory and the trade off theory. Capital structure policy is influenced by the pecking order theory by incorporating the financial deficit as an influence on capital structure. Trade off theory in capital structure includes tangibility assets, namely the use of company assets as collateral for debt. Capital structure using the trade off theory is a theory of achieving optimal capital structure in order to maintain balance in the use of debt. This debt causes debt costs that must be paid by the company and high debt costs can lead to bankruptcy. In pecking order theory, funding activities are prioritized with the hypothesis that internal funds are primarily used and then implemented as growth opportunities.

Asset structure also affects the capital structure of the company. This shows that the asset structure is the value of all its tangible assets as collateral for borrowing. The company's failure to meet your obligations resulted in creditors confiscating the company's collateral assets.

This profitability is the company's effort to earn profits and plays an important role in maintaining its survival. High profits indicate the good condition of the company so that debt reduction occurs. This low profitability causes high debt and requires assets as collateral.

The size of a company can be determined from the assets that the company owns much or little. Usually the company's assets are reflected in the year-end balance sheet. Companies that have high assets are of course large in size so that the company has a greater opportunity to go into debt than small companies. Usually large companies use increasingly larger external funding.

Company growth also affects the level of the company's capital structure because at this time the growth of developing companies using debt is higher than slow growth. Debt support lies in the capital requirements for fast-growing companies.

On the basis of the background described earlier, it encourages researchers to discuss more deeply about "Testing the Trade off Theory on Company Capital Structure Compass 100 Stock Index".

II. Review of Literatures

Kamaludin, Indriani (2018: 325) large companies have large fixed assets and use fixed assets as collateral.WIdati and Nafisah (2017: 20) large companies have asset structures and use fixed assets as collateral for debt. When viewed from the trade off theory point of view that large debt can result in large risks that must be borne by the company. Agustini and Budiyanto (2015: 5) the important role of asset structure as debt financing, especially using fixed assets to obtain long-term debt.

Kamaludin and Indriani (2018: 326), usually the profitability is high, so the company uses its retained earnings rather than debt. According to Riyanto (2016: 297) stable retained earnings can meet financial obligations as a result of using the debt. Unstable retained earnings can cause the company to bear the risk. Kartika (2016: 51) that external parties are more interested in high profitability and the possibility of low debt.

Profitability is the ratio used to measure a company's ability to generate profits with the company's resources. Companies that have stability in obtaining profits can give signals to the public about the ability to pay dividends, (Hery in Angelia, 2020).

According to Riyanto (2016: 299-300), large-scale companies have a higher chance of obtaining debt than small companies. According to Husnan and Pudjiastuti (2015: 289) large companies usually tend to have high debt ratios. According toHalim (2015: 125), a bear-sized company uses high foreign capital because its own capital is insufficient in its funding.

According to Sudana (2015: 185), high growth sales use high debt rather than sales of low-growth companies. According to Kamaludin and Rini Indriani (2018: 324), sales stability makes it easier for companies to obtain loans rather than sales instability.Deviani and Sudjarni (2018: 1226) companies that grow can be seen from high sales so that their internal funds are more and less using debt.

III. Research Methods

Kompas Stock Index Company 100 be the place of this research by accessing through the site www.idx.co.id. This research was conducted by researchers in December 2019 - June 2020. The research was a quantitative approach. The type is explanatory research. The nature of this research causal relationship.

The research population of 100 companies listed in Kompas 100 is due to the fact that the selected stocks of the companies have high liquidity and have good performing fundamental stocks. This type of research is quantitative and the data is secondary, namely the company's financial statements contained in Kompas 100 for the 2014-2018 period. Determination of the sample using purposive sampling with certain criteria.

The sample criteria by purposive sampling are as follows:
Companies listed in Kompas 100 2014-2018 period. Companywho publish financial reports 2014-2018 period. Companies listed in Kompas 100who earn profits in succession from periods 2014-2018 period.
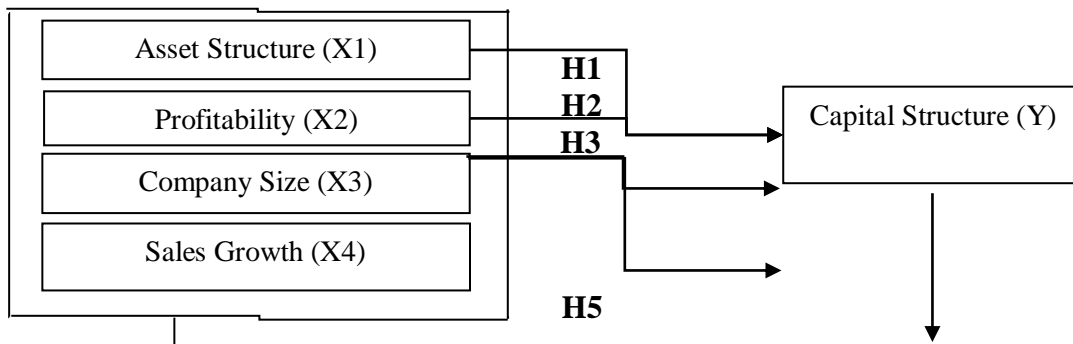
Conceptual Framework

Figure 1. Conceptual Framework Drawing

IV. Result and Discussion

This study uses quantitative data so that it requires several tests such as descriptive, classical assumptions and hypotheses.

Table 1. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Structure of the assets	200	.01	.70	.1943	.16881
ROA	200	.00	.24	.0701	.05551
Company size	200	27.92	34.80	31.1962	1.50268
Increase in Sales	200	-.37	1.16	.1043	.20358
DER	200	.15	7.33	1.8221	1.95192
Valid N (listwise)	200				

N Asset structure 200, min 0.01, max 0.70, mean 0.1943, std.dev 0.16881. N profitability 200, min 0.00, max 0.24, mean 0.0701, std.dev 0.05551. N company size 200, min 27.92, max 34.80, mean 31.1962, std.dev 1.50268. N 200 sales growth, min -0.37, max 1.16, mean 0.1043, std.dev 0.20358. Ncapital structure 200, min 0.15, max 7.33, mean 1.8221, std.dev 1.95192.

Table 2. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		200
Normal Parametersa, b	Mean	.0000000
	Std. Deviation	1.19409422
Most Extreme Differences	Absolute	.063
	Positive	.063
	Negative	-.026
Statistical Test		.063
Asymp. Sig. (2-tailed)		.053c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Sig 0.053 listed at one-sample kolmogorov smirnov shows normal data.

Table 3. Multicollinearity Test Results

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Structure of the assets	.849	1,178
	ROA	.707	1,415
	Company size	.749	1,336
	Increase in Sales	.953	1,049

Asset structure, profitability, company size and sales growth have a tolerance of > 0.1 and VIF <10 indicate no multicollinearity.

Table 4. Autocorrelation Test Results
Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.791a	.626	.618	1.20628	2,318

a. Predictors: (Constant), Increase in Sales, Company Size, Asset Structure, ROA
b. Dependent Variable: DER

Dw = 2,318, N = 200, du = 1.8094, du <dw <4-du, 1.8094 <2,318> 4-1,8094 to 1,8094 <2,318> 2,1906 data have autocorrelation.

Table 5. Glejser Test Results
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-741	1,231		-.602	.548
	Structure of the assets	-1,450	.319	-325	-4,553	.000
	ROA	-306	1,061	-.023	-288	.774
	Company size	.064	.038	.127	1,675	.095
	Increase in Sales	-217	.249	-.059	-,869	.386

a. Dependent Variable: Abs_ut

Sig Asset structure <0.05 occursheteroscedasticity. Profitability, company size and sales growth> 0.05 is not heteroscedasticity.

Table 6. Statistical Test Results F
ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	474,443	4	118,611	81,513	.000b
	Residual	283,746	195	1,455		
	Total	758,189	199			

a. Dependent Variable: DER
b. Predictors: (Constant), Increase in Sales, Company Size, Asset Structure, ROA

Fcount = 81.513, sig = 0.000 and Ftable (200-5 = 195) = 2.42. Fcount> Ftable, namely 81.513> 2.42, it shows that H0 is rejected, Ha is accepted, it is shown that the asset structure, profitability, company size and sales growth have an effect oncapital structureKompas Stock Index Company 100.

Table 7. Statistical Test Results t
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-17,607	2,125		-8,284	.000
	Structure of the assets	-3,452	.550	-.299	-6,277	.000
	ROA	-7,393	1,832	-210	-4,034	.000
	Company size	.660	.066	.508	10,039	.000
	Increase in Sales	.204	.430	.021	.473	.636

a. Dependent Variable: DER

Asset structure count = -3,452, sig = 0,000, t table (200-4 = 196) = 1,972, -thitung <-ttabel, -3,452 <-1,972 H0 accepted, Ha rejected is shown Asset structure affectscapital structureKompas Stock Index Company 100.Companies with high fixed assets will certainly have high debt because these assets can be used as collateral. When the company's assets run low, debt tends to rise, which means that creditors will ask for higher debt payments through interest. Research results are consistent withKamaludin and Indriani (2018: 325) large companies have large fixed assets and use fixed assets as collateral. The results of this study are in line withMandagi, Sariguna andLina (2015) stated, Structurer assets have a significant effect on capital structure in a negative direction.

Profitability count = -4,034, sig = 0,000, t table (200-4 = 196) = 1,972, -thitung <-tabel, -4,034 <-1,972 H0 accepted, Ha rejected, it is shown that Profitability affectscapital structureKompas Stock Index Company 100. The low profitability resulted in the company making high loans for operating activities. When the company's profit is still insufficient for its operational costs, there is a loan (debt) to help capital.The results of this study are consistent with Kamaludin and Indriani (2018: 326) have high profitability with greater use of retained earnings than debt. The results of this study are in line withHudan, Isynuwardhana, Triyanto (2016) stated,profitability has a significant negative effect on the capital structure.

Firm size count = 10.039, sig = 0.000, t table (200-4 = 196) = 1.972, t count> t table, 10.039> 1.972 H0 rejected, Ha accepted indicated company size has an effect oncapital structureKompas Stock Index Company 100. The large size of the company has high debt because high assets are used as collateral. Having a large company size can guarantee creditor confidence in making loans.The results of this study are consistent Riyanto (2016: 299-300) the size of the company with the spread of its shares has little influence which eventually disappears. Small companies are scattered in a small environment with additional shares having a big influence. The results of this study are in line withSetiawati andPuTra (2015) states that company size has a significant positive effect on the capital structure of companies listed on the Kompas 100 stock index.

Sales growth count = 0.473, sig = 0.636, t table (200-4 = 196) = 1.972, t count <t table, 0.473 <1.972 H0 accepted, Ha rejected indicated Sales growth has no effect oncapital structureKompas Stock Index Company 100. High credit sales result in high accounts receivable and high debt regardless of growing sales. The results of this study are inconsistent Sudana (2015: 185) states that high sales grow with the possibility of high debt rather than low sales which are used to cover debt interest costs so that the debt is low. The results of this study are not in line withUmdiana and Claudia (2020) state that sales growth affects the capital structure.

V. Conclusion

Based on the results of the research that has been described, the authors suggest utilizing external capital (debt) for each business actor to support the operation of his company, as long as he has considered and calculated the prospect of benefits from the loan costs. Meanwhile, future researchers are expected to be able to develop their research both from the selection of variables and observation samples, so that in the future research will be more efficient.

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