CAPITAL STRUCTURE IMPACT OF ASSETS STRUCTURE, NET PROFIT MARGIN AND CURRENT RATIO

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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.

Keywords: Asset Structure, Net Profit Margin and Current Ratio to Capital Structure

Introduction

The company's business activities certainly require a fairly high source of funds, as well as service companies. This is because the funds from this company are embedded in a form of asset which is the company's inventory. Developments such as the current competition in the service sector have become very tight, so that this condition makes every company strive to be able to maintain the continuity of the company. Financial management in a company is one of the main elements that need to be considered because it is directly related to the ability of a company to meet funding needs for company operations and business development. Capital structure is a balance or comparison between foreign capital and own capital[1]. Foreign capital is defined in this case as long-term or short-term debt, while own capital is defined as retained earnings and it can also be ownership participation. The basis of the capital structure of a company is how the use of own capital and the use of debt. The capital structure shows the proportion of the use of debt 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 shape funding decisions and investment plans made by companies that can minimize the cost of capital so as to maximize business in achieving one of the company's goals, namely the welfare of shareholders [2]. The management of the company must be very careful because there are factors that can affect the choice 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 [3, 4].

Literature Review

This research is a continuation of previous research. In Go Public Companies on the Indonesia Stock Exchange in his research the independent variables are: probability (measured by Net Profit Margin), liquidity (measured by the current ratio) and asset structure. The dependent variable used is 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 asset structure, net profit margin and current ratio on capital structure. Another fact found is that partially the asset structure, net profit margin and current ratio are all significantly negative related to capital structure. The results of research conducted by [5] which shows the results of the study show that NPM has no effect on DER, QR has no negative effect on DER, and the asset structure is empirically proven to have a negative effect on DER. The results of [6]Budiman's stated that profitability measured by NPM had no effect on DER in a positive direction, liquidity measured by QR had no effect on DER in a negative direction, and asset structure measured by an asset structure was empirically proven to have a negative effect on DER. The results of [7] research show that liquidity, firm size and company age partially have a significant negative effect on capital structure. while business risk has a significant positive effect on the capital structure of the tourism industry on the Indonesian stock exchange for the 2010-2013 period. [8] shows that profitability has a negative effect on capital structure, asset structure has no effect, sales growth has no effect, and firm size has a positive effect. Dede [9, 10] that the results of this study show simultaneously that company size, debt policy, and profitability have an effect on firm value.

Capital Structure (Debt to Equity Ratio)

The capital structure is part of the financial structure which can be interpreted as a permanent expenditure 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 [11] states that capital structure is a balance or comparison between foreign capital and own capital. According to [12] capital structure is a permanent expenditure that reflects the consideration or comparison between long-term debt and own capital. According to [3] capital structure is the balance of the amount of permanent short-term debt, long-term debt, preferred stock and common stock in a company. In making an investment, the company tries to create value, which is the difference between the return on the project and the economic value sacrificed for the project.

Effect of Asset Structure on Capital Structure

Asset Structure

According to [13] the asset structure is the ratio between fixed assets and total assets owned by the company or a comparison both in absolute and relative terms between current assets and fixed assets. Asset structure affects sources of financing in several ways. The company has fixed assets, which are large in number, especially those that produce products that consumers need quite convincingly will use a lot of long-term debt. According to [14] Asset structure is the wealth owned by the company which is expected to provide benefits in the future. Companies with good asset structure must have large assets. Companies that have sufficient assets to fund their operational activities tend to use less debt than companies with few assets. So that the higher the company's assets, the lower the use of company debt. Companies with good asset structure directly have a very large positive impact on the company. The positive impact is in the form of a large asset. 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 asset structure value, the higher the capital structure value due to the small debt value[15].

The Effect Of Profitability On Capital Structure In Telecommunication Companies Listed On The Indonesia Stock Exchange For The 2016-2020 Period Probability (Net Profit Margin)

A company is generally established to generate profits or profits, both short-term profits and long-term profits. In general, profitability is the company's ability to earn profits in relation to sales, total assets and own capital. According to[14] profitability is a ratio that measures the company's ability to generate profits. The higher net profit margin shows that the entity achieves greater underline profit for its sales but the profit margin depends on where the entity operates because it generally has a high-speed margin or lower profit margin

Companies that have a high level of profitability tend to use internal funding sources to fund their company's operational activities, the level of debt return is relatively low. On the contrary also if the company tends to use funds from external in funding its operation activities, the level of probability is low and the rate of return of its Leib debt is high. Companies that have high profitability will fund operational activities using internal funding sources rather than external funding sources. Companies that have large internal funding sources tend to use large retained earnings rather than adding to the company's debt. High profitability will increase the value of the company's structure because the company does not use funding sources from debt. Increasing profitability will increase the appeal of the external parties, and if creditors are increasingly interested in instilling their funds into the company, it is very possible to increase the debt ratio.

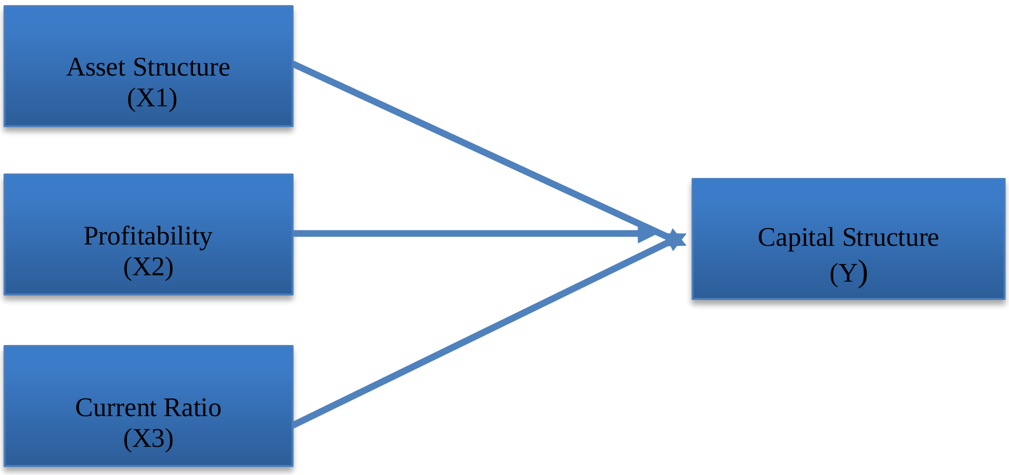
Effect of Liquidity on the Capital Structure

Liquidity (Current Ratio)

The company's liquidity position is related to whether the company is able to pay off its obligations due in the short term. According to [14] liquidity is the ability of the company in fulfilling its company's 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 self-capital is higher than the use of debt, the company can fulfill its obligations. This can lead to the level of creditor's trust in the company. So that the more companies can fulfill their obligations, it makes it easier for companies to gain the trust of creditors. Companies that have gained the trust of the creditors, the company will easily get debt. Companies that have small debt tend to have high liquidity skills. With high liquidity capabilities, companies can reduce the level of corporate risk by reducing debt. So that companies that have high liquidity capabilities are increasingly using internal funding sources in funding their operational activities [16].

Conceptual Framework

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



Picture 1 Conceptual Framework

Hypothesis

H_1 : Asset structure, Net Profit Margin, Current Ratio ratio has a simultaneous effect on the capital structure

H_2 : The asset structure partially influences the structure of capital

H_3 : Net Profit Margin partially influences the structure of capital

H_4 : Current Ratio partially influences the structure of capital

Research Methods

The type of research used is quantitative, namely the type of research in the form of statistical numbers The depenen variable of this research is the capital structure and independent variable, namely the structure of assets, profitability, current ratio. The type of research data is data on the form of financial statements of communication companies in the period 2016 - 2020 obtained from the website of the Indonesia Stock Exchange. The analysis technique used is multiple linear regression with a 5% significance level.

Operational Variable Research

The variables used in this study are four variables, namely:

Asset structure (X1) which is a comparison between fixed assets and total assets. Formula :

$$\text{Asset structure} = \frac{\text{Fixed Asset}}{\text{Total Asset}}$$

a. Profitability (Net Profit Margin) (X2) which is the ratio between profit and income.

Formula :

$$Net\ Profit\ Margin = \frac{\text{Profit}}{Income}$$

b. Current Ratio (X3) which is a liquidity ratio that shows the company's ability to meet short-term financial obligations.

Formula :

$$current\ rasio = \frac{\text{Total Current Assets}}{Total\ Current\ Debt}$$

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

Formula:

$$DER = \frac{Total\ Debt}{\text{Total Equity}}$$

Discussiun Result

Multiple Linear Regression

Table 1

Multiple Linear Regression Results

Variable	Coefficients	Std. Error	T Statistics	Prob
C	2.7828888	6.787645	2.4099993	0.0452
X1	0.269433	.148378	1.815848	0.0201
X2	0.141846	0.110383	1.285025	0.0432
X3	-0.135504	0.190491	-0.711341	0.3701
R Squared	0.167248	Mean dependent var		9.8665667
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- Statistics	1.740590	Durbin Watson State		0.890390
Probe (F-statistics)	0.02336			

Source: Data Processing Results (2021)

Based on the calculation results, it is obtained that this multiple linear regression model is expressed in the form of a formula equation, namely:

Y= 2,782+0,269X1+0,141X2-0,135X3+e

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

Based on the results of the f test, it states that the Prob (F-Statistic) value of 0.023336 is smaller than 0.05. This means that simultaneously asset structure, probability, current ratio have a significant effect on telecommunications companies listed on the IDX for the 2016-2020 period. The results of this study are in line with research conducted by [7] which states that simultaneously the variables of Asset Structure, Net Profit Margin and Current Ratio have a significant effect on Capital Structure.

The Effect of Asset Structure on Capital Structure of Telecommunication Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period

Based on the results of the t test, the significant value of the asset structure variable is 0.0201 which is smaller than 0.05, it can be interpreted that H1 is accepted and H0 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. The results of this study are in line with the results of research conducted by [11] which states that asset structure affects capital structure. However, the results of this study are different from the research conducted by [9, 17] which state that the asset structure has no effect on the capital structure.

The Effect of Profitability on Capital Structure in Telecommunication Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.

Based on the t test, it states that the significant value of the probability variable is 0.0432 less than 0.05 so that H2 is accepted and H0 is rejected, this means that partially the probability of having a significant effect on the capital structure of telecommunications companies for the 2016-2020 period. This is in line with the results of research conducted by Hasrul (2018) which states that the asset structure variable has a partial effect on capital structure. However, the results of this study are not in line with research conducted by Kartika (2016) which states that asset structure has no effect on capital structure. company.

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

Based on the t-test above, the significant value of t from the current ratio is 0.3709, which is greater than 0.05 so that H3 is rejected and H0 is accepted. This means that partially the current ratio has no significant effect on the capital structure of telecommunications companies for the 2016-2020 period. The results of this study are in line with research conducted by [9] which states that the current ratio has a significant negative effect on the capital structure of the tourism industry. However, the results of this study are not in line with which states that the Current Ratio variable has a partial effect on Capital Structure.Research Results Simultaneously state that asset structure, probability, current ratio have a significant effect on telecommunications companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

1. The asset structure variable 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 capital structure
2. The probability variable has a positive and significant effect on the company's capital structure. This shows that the greater the probability of a company, the greater the company's capital structure.

3. The variable Current ratio has no effect on the company's capital structure. This shows that the company's ability to pay debts has no effect on the company's capital structure.

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