ABSTRACT

FACTORS THAT AFFECT THE CAPITAL STRUCUTRE IN REAL ESTATE AND PROPERTY COMPANIES IN INDONESIAN STOCK EXCHANGE

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Capital structure is an important issue for any companies; good or bad capital structure will have a direct effect on the financial position of the company. The problems being faced by the real estate and property companies that go public on the Stock Exchange is the high level of debt held. With the high levels of debt caused a decline in value of the company in the eyes of the investors. The existence of this phenomenon, there is an interest to learn about the effect of simultaneous, effect of partial and variable dominant: asset structure, profitability, company size and sales growth in the capital structure of real estate and property companies that went public on the Stock Exchange.

The population of this study is all real estate and property companies listed in the Stock Exchange in 2013, amounting to 17 companies. Sampling was done by purposive sampling method with the criteria that the real estate and property companies are actively listed on the Stock Exchange and included summary financial statements are recorded in the Indonesian Capital Market Directory, for the period 2009-2011. Based on the criteria selected as the study sample as many as 13 companies.

Asset structure, profitability, company size, sales growth, simultaneously, and partially has significant impact on capital structure. Firm size has a dominant influence on the capital structure of the Company Property and Real estate in Indonesia Stock Exchange.

The financial manager should consider, the financing of the assets arrangement is useful for achieving the level of profit from the sale are expected, and in accordance with the size of the company. In addition to the need to consider the use of debt careful, because if additional debt is too large can reduce a company's financial performance. Stability sales growth rate must be considered, so as to contribute to profitability.

Keyword: Assets Structure, Profitability, Company Size, Sales Growth, Capital Structure

Introductiom

Real estate and property companies often have inconsistencies in investing activities during the crisis in which real estate companies and property experienced a sharp decline that the company should be be careful in allocating funds for the benefit of the project (business). The problems being faced by companies that go public on the Stock Exchange is the high level of debt. This reflects the dependence of real estate and property companies in Indonesia go public on the Stock Exchange on the external parties is big. If these conditions persist and not immediately repaired, it would be harmful for the company. With the higher debt, it would make the declining value of the company from investors' view.

There are many factors that affect company in determining the capital structure policy. According to Wetson and Brigham (2001), variables that affect the capital structure are: 1) stability of sale; 2) assets structure; 3) operating leverage; 4) growth rate; 5) profitability; 6) tax; 7) control; 8) attitude of management; 9) attitude of the lender; 10) market conditions; 11) internal condition of company; 12) financial flexibility. Meanwhile, Riyanto (2005) found that affect the capital structure are: 1) rate of interest; 2) stability of earnings; 3) the composition of assets; 4) risk level of assets; 5) the capital required; 6) capital market conditions; 7) nature of management; 8) company size.

Asset structure reflects two components of assets outlined in its composition, which is current assets and fixed assets. Current assets are cash and other assets that can be realized into cash, sold, or consumed during the accounting period. While the fixed assets are tangible assets acquired in the form of ready-made or to be built first, used in operations and not intended for sale in the ordinary course of normal company and have a useful life of more than one year.

Weston and Brigham (2001) states that the company with high profit tend to use debt in low amounts. Industries with a high rate of return on investment using a relatively small debt. This is because the company is very likely to use retained earnings as a source of corporate funding.

According to Riyanto (2005) company size is the size of the company viewed from the value of equity, sales or total assets. Large firms are relatively more stable and better able to generate greater profits than the smaller companies. In addition, the larger size of the company, the greater the capital invested in various types of business, it will be easier to enter the capital market, and obtain a high credit rating from creditors, all of which would greatly affect the level of profits that will be generated by company.

Ozkan (2001) in his study showed that the size, growth opportunities, profitability and non-debt tax shield negatively affect capital structure, while the positive effect of liquidity on capital structure. Barker and Wurgler (2002) shows that the Profitability does not affect the capital structure, firm size has positive effect on the capital structure, and market-to-book ratio and fixed assets affect the capital structure. Kehar J Baral (2004) showed that the size of the firm, growth rate, rate earnings, dividend payout, and debt service capacity showed a significant influence on financial leverage.

Results of research conducted in Indonesia produced by Mardiana (2003) found evidence that the asset structure, profitability, sales growth in the size of the company and significant effect on the capital structure of metal companies that went public in Jakarta Stock Exchange. SekarMayangsari (2001) shows the size of the company, net income, asset structure and working capital changes significantly affect external funding decisions. Prabansari and Kusuma (2005) concluded that the size of the company, business risk, growth in assets, profitability, and corporate ownership structure affect the capital structure simultaneously.

Putra (2005) concluded that growth, asset structure, and firm size has an influence on the capital structure. Prima (2007) prove the structure of assets and profitability may affect the capital structure simultaneously. Rakhmawati (2008) concluded that the size of the company and a significant positive effect on the capital structure partially, whereas for the variable profitability, asset structure, growth and sales taxes are not shown to significantly affect the capital structure. Jasirilyas (2010) showed that for the textile sector, profitability, asset structure has a significant influence on the capital structure, but not the size of the company. Hidayat (2012) showed that partially variables that affect the capital structure is the size of a large company means a company whose shares are widespread cause any expansion of the share capital will only have little effect on the possibility of loss of control of the more dominant of the company concerned.

From various methods for determining the capital structure, none of them can be considered perfect, until the need for sufficient information for making rational decisions with a positive outlook that we are able to determine the appropriate capital structure. Therefore, researchers tried to study some more about the variables that affect the capital structure of a company's financial managers can develop an optimal capital structure to conduct research on the analysis of several factors that affect the capital structure of the property and real estate companies that go public in Indonesia Stock Exchange.

Based on theory presented by Weston and Brigham (2001) and Sartono (2004), sales growth is variables that affect the capital structure. The greater then sales growth, the greater the debt used by companies, but the smaller the growth rate of sales, then took less of debt in the company.

Method

Type of research used in this research is an explanatory research using quantitative approach. The populations in this study are all real estate and property companies listed on the Stock Exchange, as the company's capital structure and property real estate quite dynamic in the capital market with a sample size of about 13 companies. The analysis used multiple regressions.

Result

Multiple linear regression test is to determine whether the independent variables simultaneously and partially have a significant effect on the dependent variable, with hypothesis testing as follows:

Variable	StandardizedCoefficients (B)	T	t tabel	Level of Sig (α=5%)	Description
Structure of Assets (X1)	0.319	2.312	1.7081	0.027	Significant
Profitability (X2)	-0.317	-2.319	1.7081	0.027	Significant
Company Size (X3)	0.505	3.673	1.7081	0.001	Significant
Sales Growth (X4)	0.002	0.016	1.7081	0.988	Not Significant

R = 0.617
Adj. R Square = 0.308
F = 5.225
F table = 2.76
Sign. F = 0.002
α = 0.05

Regression test is a test used to determine the effect of asset structure variable (X1), profitability (X2), company size (X3), sales growth (X4) and capital structure (Y) of property companies on the Stock Exchange. For more details, the pattern of linear multiple regression equation is as follows:

$Y = 0.319X_1 – 0.317X_2 + 0.505X_3 + 0.002X_4$

Based on the multiple linear regression equation, it can be seen that the influence of independent variables on the dependent variable is asfollows:

1. βx1 = 0.319

   The parameter values or regression coefficient is βx1 = 0.319. It shows that if 1 unit of asset structure variable increasesthe capital structure will increase by 0.319 units by assuming thatprofitability variables (X2), firm size (X3), and sales growth (X4) are fixed or *cateris paribus*. This means that the greater the increase in the amount allocated to each component of current assets and fixed assets will result in increased capital structure.

2. b2 = -0.317

   The parameter values or regression coefficients is βx 2 = -0.317 shows that if profitability variable increasesby 1 unitthen the capitalstructurewilldecrease by 0.317 units by assuming thatthe variablestructureof assets (X1). firmsize (X3). and SalesGrowth (X4) are fixedor*caterisparibus*. Thismeansthat the greaterincrease in profitabilitywilldecrease the amountofcapitalstructure, because the property and real estatecompanieslisted on the Stock Exchange tend toholditsearnings in the form ofretainedearningsto be used as a source offunding in the form ofequity and insteadofusingdebt.

3. b3 = 0.505

   The parameter values or regression coefficient is βx2=0.505. It shows that if firm size variable increasesby 1 unit. then the capitalstructurewillincrease by 0.505units by assuming asset structurevariable (X1), profitability (X2) and salesgrowth (X4) are fixedor*caterisparibus*. It can be explainedthat the total amountof assets ownedpledged as collateral for the companytoobtaindebtbecausecapitalfinancingneedsare quite largeto make an investment in the fieldofconstruction in real estate and propertyproject.

4. b4 = 0.002

   Salesgrowthvariable has no significanteffect on the capitalstructure. It means that any increase and decrease in salesgrowth donot result in the company'scapitalstructure for goingup or down. It can be explainedthat the number ofsalesachieved by the company in property and realestateindustryduring the study period did not affect the sizeof the capitalstructure.

The resultsof the analysis on thecoefficientofmultiple determination (R^2) = 0.308 shows that30.8% change in capitalstructure is duetochanges in asset structure (X1), profitability (X2), companysize (X3), salesgrowth (X4) while the remaining 69.2% is causedbyothervariablesoutside the observedvariables.

Testing the second hypothesis in thisstudyaimstoprove the existenceof the partial effectof asset structure, profitability, companysize and salesgrowthvariables onthecapitalstructure ofproperties andrealestatecompany listedon the Stock Exchange. Furthermoretoseewhetherthere is any partial effect, t test was usedgenerated from multiple regression models.

The resultsof the analysis onthe partial effect ofprofitabilityvariableofcapitalstructure on the property and realestatecompanies listedon the Stock Exchange shows that thetvalueof -2.319 is larger(>) than t table 1.7081 withprobability (p) of 0.027 which issmaller 0:05 ($P < 5\%$). Theseresults show the partial effect ofprofitabilityofcapitalstructure in real estate and propertycompanies listedon the Stock Exchange.

The resultsof the analysisof the partial effect offirmsizevariable on capitalstructure ofrealestate and propertycompaniesthatwent public on the Stock Exchange shows the t valueof3.673greater (>) than t table 1.7081 withprobability (p) of 0.001 which issmaller 0.05 ($P < 5\%$). Theseresults shows the partial effectoffirmsize on capitalstructure on realestate and propertycompanies listedon the Stock Exchange.

The resultsof the analysis on the partial effect ofsalesgrowthvariableofcapitalstructure on the property and realestatecompanies listed on the Stock Exchange show the t valueof0.016 which issmaller (<) than t table 1.7081 withprobability (p) of 0.988 0:05 which is greater ($P > 5\%$). Theseresultsshows that the salesgrowthpartially has no effect on the capitalstructure ofproperty and real estatecompanies listedon the Stock Exchange.

Thirdhypothesistesting is usedto test the three dominant variablesaffecting the capitalstructure ofproperties and realestatecompany listedon the Stock Exchange. Thishypothesiswastestedbased on the analysisof the valueof t generated from multiple regression modelsamong the variables ofassetstructure, profitability, companysize and salesgrowththat has the largestvalueof t. then the dominant variableaffecting the company'scapitalstructure in property and real estatecompanies listed on the Stock Exchange.

Based on the resultsofmultiple regression analysis, it is found the evidencethatfirmsizevariable has the largest t valueamongothervariables so it can be saidthat the companysize is the most dominantvariableaffecting the capitalstructure in properties and real estatecompany listedon the Stock Exchange.

Conclusion

This research on the effect of asset structure (X1), profitability (X2), company size (X3), sales growth (X4) and capital structure (Y) on the property and real estate companies in Indonesia Stock Exchange using data obtained from2009 to 2011 come toconclusions as the follows:

1. Based on the analysis resultsof the coefficient of multiple determination (R^2) = 0.308, it is revealed that 30.8% of capitalstructure of propertyand real estate companies listed onIndonesia Stock Exchange canbe explained by the variables of asset structure(X1), profitability (X2), company size (X3), and sales growth (X4). On the other hand,the remaining 69.2% is explained by other variables outside the observed variables. In additionR (correlation) of 0.617 means asset structure variable (X1), profitability (X2), company size (X3), and sales growth (X4) simultaneously have quite strong correlation to the capital structure (Y).
2. The results of testing the first hypothesis suggests that the variable asset structure(X1), profitability (X2), company size (X3) and sales growth (X4) simultaneously have significant effect on the capital structure of property and real estate companies listed on Indonesia Stock Exchange. From the calculations, the value of F is2.225 greater (>) than the F table which is2.76 with a probability (p) of 0.002 under 0:05 (P <5%). According tothe testing criteria, thus the null hypothesis (Ho) is rejected and the alternative hypothesis (Ha) is accepted. It means the variable asset structure(X1), profitability (X2), company size (X3), sales growth (X4) simultaneously and significant affectthe capital structure variable (Y).
3. The results of testing the second hypothesis reveals that company size has a significant effect on the capital structure variable (Y). This conclusion is drawn based on the results of the study which indicate that company size(X3)

has a value of Standardized Coefficients (β) of 0.505 whih isgreater (>) if it iscompared to asset structure variable(X1) with a beta coefficient (βx1) of 0.319, profitability (X2) with a beta coefficient (βx3) of -0.317 and sales growth (X4) with a beta coefficient (βx4) of 0.002. ThereforeHo is rejected and Ha is accepted.

Suggestion

1. **For the Property and Real Estate Companies Listed onIndonesia Stock Exchange**

   Financial manager should consider financing the assets arrangement which isuseful for achieving the high levelof profit from the expected sale and in accordance with the company size. In addition, debt needs to be carefully considered because if additional debt is too highcan reduce company's financial performance. Stability of salesgrowth rate must be considered for generating profit.

2. **For the Investor**

   Potential investors need to know the capital structure used as a source of funding whether the funding source is debt, retained earnings as internal funding or through the sale of shares. Using debt financing indicatesthat the company has a poor financial performance while financing using retained earnings and stock sales indicates that the company's financial performance is good.

3. **For the Next Researcher**

   a. The results of analysis would be more complete if variables assumed to affect the capital structure including corporate control, tax, market condition, internal condition and company’s financial flexibility are included in the study.

   b. The objects of the study need to be expanded by involving all companies listed on Indonesia Stock Exchange so that the objects would be more extensive.

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