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Factors Affecting Capital Structure in Property and Estate Companies 2019-2022

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Abstract
The purpose of this research is to examine how profitability affects, liquidity, asset structure, and business risk on capital structure. The population of the research consists of property and real estate enterprises listed on the Indonesia Stock Exchange (IDX) in 2019–2022. Quantitative research for use in this sort. In order to choose a sample of 19 businesses for this study, purposeful sampling was employed. The use of multiple linear regression is the method employed in this investigation. The findings from this analysis indicate that the capital structures of property and estate enterprises are affected by factors associated with liquidity and business risk. The capitalization of property and real estate enterprises is unaffected by factors such as profitability and asset structure.

Abstrak
Tujuan dari penelitian ini adalah untuk mengkaji bagaimana profitabilitas mempengaruhi, likuiditas, struktur aset, dan risiko bisnis terhadap struktur modal. Populasi penelitian terdiri dari perusahaan properti dan real estat yang terdaftar di Bursa Efek Indonesia (BEI) pada tahun 2019–2022. Penelitian kuantitatif untuk digunakan dalam jenis ini. Untuk memilih sampel dari 19 bisnis untuk penelitian ini, pengambilan sampel yang disengaja digunakan. Penggunaan regresi linier berganda adalah metode yang digunakan dalam penyelidikan ini. Temuan dari analisis ini menunjukkan bahwa struktur modal perusahaan properti dan perkebunan dipengaruhi oleh faktor-faktor yang terkait dengan likuiditas dan risiko bisnis. Kapitalisasi perusahaan properti dan real estat tidak terpengaruh oleh faktor-faktor seperti profitabilitas dan struktur aset.

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Kata kunci
Struktur Modal;
Profitabilitas;
Likuiditas;
Struktur Aset; Risiko Bisnis.

1. Introduction

The corporate world is extremely competitive in the current period of globalization, with competition coming from both domestic and multinational organizations. These companies have to be capable of fierce competition in international trade operations. When financing a business, funding decisions made to establish the proportion of debt to equity in order to establish the ideal capital structure. How the company finances its investments is determined by the capital structure's long-term debt to equity ratio. An ever increasing level of economic rivalry pushes managers of property and real estate enterprises to stay competitive by boosting marketing, production, and strategy.

Real Estate and Property business is a lucrative business opportunity. Because housing is currently an important need for everyone. The development of the business world is becoming increasingly rapid, making competition between companies. In facing competition, a company must have an advantage in both products and services. To overcome the availability of funds in the company, the company is required to always be careful and thorough in obtaining funding sources that will be used to finance the investment that the company will make. This is what makes the importance of determining the capital structure (Umayroh & Irsad, 2021).

Capital structure refers to the combination or ratio of long-term, stable funding in a business that includes debt, preferred stock, and equity from common stock. The goal of the capital structure analysis in this instance is to examine the ratio of total long-term debt to equity. As such, the capital structure of the company is determined by the proportion of long-term debt to equity capital that it employs (Horne, 2012). The efficiency of the company's investments made while making use of all of its resources is gauged by profitability. Because profitability shows a company's ability to generate revenue from its owned assets, it is positively connected with success (Dewi et al., 2019). The capacity used to assess a company's capacity to fulfill its immediate obligations is known as liquidity. This ratio refers to the short-term resources available to meet these obligations. Asset structure is one of the indicators used to measure company performance in utilizing assets as loan collateral. This indicator can affect the determination of capital structure, where businesses that have extremely liquid assets often turn to loan finance (Riyanto, 2013). Business risk refers to the danger that an organization faces when doing its business operations, specifically the risk that it won't have enough money to support such activities. (Gitman, 2003).

Businesses with robust returns on investment tend to utilize a minimal amount of financial capital in comparison. Pecking order theory states that corporate debt levels fluctuate in profitability, with better profitability translating into lower debt levels and a smaller capital structure (Brigham & Houston, 2006). From the research found by (Ivanka et al., 2021), (Shinta Dyah Umayroh & Irsad 2021), (Sari & Agustin 2019), (Lilia et al., 2020), (Iriani et al., 2022), (Triyono, Anindita Kusumastuti, 2019), (Arlita & Surjandari, 2019), (Annisa & Nurlaela, 2020), (Octavian & Nurlaela, 2021) concluded that capital structure is impacted by profitability.

H1: Profitability affects capital structure

The capacity of a company to settle its short-term loans promptly is described by liquidity. In this analysis, the liquidity ratio that is utilized is the current ratio (Sartono, 2010). The more capable a company is of meeting its operational demands is indicated by a higher current ratio. The main thing is its working capital. In order to keep a company operational profitably and to influence stock prices, which in turn encourage investors to purchase the firm's shares, working capital may be beneficial. This will also increase stock returns (Kasmir, 2014). From the research found by (Qosidah & Romadhon, 2021), (Suhayati & Sihole, 2023), (Ariyani et al., 2019), (Fitra & Al Ashry, 2019), (Arlita & Surjandari, 2019), (Annisa & Nurlaela, 2020), (Octavian & Nurlaela, 2021) determined that capital structure is impacted by leverage.

H2: Liquidity affects capital structure

Asset structure is one of the indicators of company performance measurement that demonstrates the business's capacity to employ assets as loan collateral. This indicator can influence how the capital structure is decided, namely the company will tend to use debt funding if it has high current assets (Riyanto, 2013). From the research found by (Marta Brona et al., 2022), (Cahyani & Isbanah,

2019), (Triyono, Anindita Kusumastuti, 2019), (Oktaviana & Taqwa, 2021), (Annisa & Nurlaela, 2020), (Octavian & Nurlaela, 2021) It was concluded that capital structure is influenced by asset structure.
H3: Asset Structure affects Capital Structure

Another approach to measure business risk for a corporation is to look at how much its earnings fluctuate. Businesses with volatile profits may find it difficult to secure the capital requested to settle debts to creditors. Businesses with high levels of debt will be more exposed to collapse due to the growing number of commitments that need to be met. Because of this, businesses with significant business risk will want to keep a portion of their debt to avoid endangering their ability to continue as a going concern (Luh et al, 2015). From the research found by (Qosidah & Romadhon, 2021), (Suhayati & Sihole, 2023), (Ariyani et al., 2019), (Fitra & Al Ashry, 2019), (Arlita & Surjandari, 2019). Concluded that the capital structure is influenced by the business risk.
H4: Business Risk affects Capital Structure

2. Method

This study endeavor employs quantitative analysis, information that is quantitative in the form of figures reported as annual financial reports is what is used. Reference to additional data from the 2019–2022 The current examination includes financial statements of real estate and property companies registered on the IDX. Information available on www.idx.co.id, the official website of the Indonesia Stock Exchange, claims that the respondents to this study include real estate and property businesses that were listed on the IDX in 2019-2022. All property and real estate firms listed on the IDX throughout 2019 and 2022 contribute to the investigated population. The sample used is property and real estate companies listed on the IDX from 2019-2022. Purposive sampling is the technique that was employed here. The study's primary source is the annual report, available at www.idx.co.id, of property0and real estate companies listed on the IDX for the 2019–2022 period.

In consideration of the information table above, the number of samples obtained in this study were 19 companies each year, so the number of samples obtained was 19 companies multiplied by 4 years, namely 76 data. But there is data that has outliers as much as 20 data, so the data processed is 56 data.

3. Results and Discussion

Based on the previously provided descriptive statistics data, the capital structure variable, also known as the DER, has 56 observation values,with a minimum value of 0.007 and a maximum value of 1.320. In comparison, the mean of 0.48993 has a standard deviation of 0.300497. The profitability variable (ROA) has a minimum value of 0.003 and a maximum value of 0.200. 0.05050 is the mean, and 0.047064 is the standard deviation. The current ratio, which measures liquidity, has a minimum of 0.261 and a high of 76.901. 5.46243 is the mean, and 12.474873 is the standard deviation. Asset structure0 variable0 with a minimum0 value of 0.001 and0 a maximum value of 0.650. The 0.09904 mean's standard deviation is 0.160692. The value of the business risk variable ranges from 0.003 at the minimum to 0.202 at the maximum. The standard deviation for the 0.05252 mean is 0.044979.

The asymp sig value for the Capital Structure variable is 0.926, as can be observed. If the standard value of 0.05 is applied, The observation reveals that the asymp.sig value exceeds the standard value of 0.05. Thus, data for the Capital Structure variable may be said to be regularly distributed.

According to the multicollinearity test results above, with a tolerance value > 0.100 and a VIF value < 10.00, none of the variables show multicollinearity.

After applying this test using the Spearman's rho test method described earlier, it can be concluded that all variables have significant values. The significance criterion of this study are based on 0.05, it is found that all variables in this study do not show heteroscedasticity.

The results of the autocorrelation test indicate that there are 4 independent variables (k) and 56 data points (n). There is a value of dU = 1.3815, dW = 1.921, and 4-dU = 2.6185. This shows that 1.3815 < 1.921 < 2.6185 means that this test is free from autocorrelation.

The regression equation may be formulated above using the data from the following table as a basis:

DER = 0.756 - 0.196X1 - 0.009X2 - 0.344X3 - 3.288X4

Interpretation of results and analysis as follows:

1) The constant value for the capital structure variable of 0.756 means that if all independent variables are equal to zero. Then the capital structure increases by 0.756.
2) The coefficient value of profitability variable is -0.196, which means that every increase of 1 unit of profitability will decrease the capital structure by -0.196.
3) The coefficient value of liquidity variable is -0.009, which means that every 1 unit increase of liquidity will decrease the capital structure by-0.009.
4) The coefficient value of asset structure variable is -0.344, which means that every 1 unit increase of asset structure will decrease the capital structure by -0.344.
5) The coefficient value of business risk variable is -3.288, meaning that every 1 unit increase in business risk will decrease the capital structure by -3.288.

The independent variable has an Fcount value of 6.399 with a significance of 0.00, which indicates that the Fcount > Ftable and the significance value <0.05, according to the findings of the feasibility model (F test) in table 4.8 above. It may be inferred that the dependent variable (capital structure) is influenced by the collective evaluation of the independent factors (profitability, liquidity, asset structure, and business risk).

Because represents the independent variable and (n) is the number of samples,0the degree of freedom is df = n-k-1, meaning that df = 56-4-1 = 51. The t table value of significance 0.05 with df = 51, based on the table above is 1.67528.

The hypothesis that was generated can be explained as follows in light of the t test findings shown in the table above:

1) The results indicate that capital structure is unaffected by profitability, with Tcount < Ttabel (-0.137 > -1.67528) and significance < 0.05 (0.892 > 0.05).
2) The indication that liquidity influences the capital structure is shown by the values of Tcount < Ttabel (-3.181 < -1.67528) and significance < 0.05 (0.002 < 0.05).
3) Capital Structure is impacted by Asset Structure. There is no relationship between asset structure and capital structure if the Tcount value < Ttable (-1.599 > -1.67528) and significance < 0.05 (0.116 > 0.05).
4) Risk related to business impacts the capital structure. The capital structure is impacted by business risk if the Tcount value < Ttable (-2.175 < -1.67528) and significance < 0.05 (0.034 <0.05) are met.

According to the findings of the hypothesis test (t-test), the significance is less than 0.05 (-0.892 > 0.05) and the value of Tcount is less than Ttable (-0.137 > Ttable).

3.1. Effect of Profitability on Capital Structure

The hypothesis test (t test) findings indicate that the significance (-0,892 > 0,05) and Thitung value are less than Ttabel (-0.137 >). Thus, it may be said that capital structure is unaffected by profitability. Because the firm chose its capital structure based on the advantages and disadvantages of using debt to fund its operations, it can be said that this research demonstrates that the profitability variable has no impact on capital structure. The hypothesis test findings make it evident that the liquidity variable in this study has an effect on the capital structure. In order to determine its capital structure, the firm considers the amount of sacrifice it has made as well as the profit it has made, rather than the quantity of the profit created.

3.2. Effect of Liquidity on Capital Structure

The results of the hypothesis test (t-test) indicate that liquidity affects the capital structure, and this conclusion can be made. This is due to the company's strong level of liquidity, which enables it to promptly pay off its short-term debt and lower its capital structure. A business that has a lot of liquidity is seen as established. A well-established business will have easy access to the finance market. The business issues securities jointly if a substantial quantity of capital is required, and vice versa.

3.3. Effect of Asset Structure on Capital Structure

The results of the hypothesis test (t test) indicate that asset structure has no effect on capital structure, with Tcount < Ttable (-1.599> -1.67528) and significance < 0.05 (0.116 > 0.05). This suggests that the link between capital structure and asset structure is only partially absent, meaning that increasing asset structure does not always result in increasing capital structure.

3.4. Effect of Business Risk on Capital Structure

Tcount's value is less than Ttable (-2.175 < 1.67528), and 0.034 < 0.05 is the significance level. Company risk may have an impact on the capital structure, according to the results of the hypothesis test (t-test). Research demonstrates that an increase in business risk can result in both an increase in the organization's capital structure and long-term debt levels.

4. Conclusion

The purpose of this research is to examine how profitability affects, liquidity, asset structure, and business risk on capital structure. Secondary data were used to collect the study's data. The study's sample consisted of 19 real estate and property companies with 76 employees that were listed on the Indonesia Stock Exchange (IDX) in 2019–2022. Purposive sampling was used to choose the study's sample under certain guidelines. Analysis of multiple linear regression is the technique employed, while SPSS 21 is utilized for processing. The results of tests on the variables influencing the capital structure show that the liquidity variable and business risk have an effect on the capital structure. Meanwhile, capital structure is independent of profitability and asset structure factors.

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