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FACTORS AFFECTING ASSETS UTILIZATION COMPANIES ON THE INDONESIA STOCK EXCHANGE

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Abstract: Transactions that indicate tunneling can impact business performance. Therefore, the tunneling that occurs in the use of assets must be properly controlled. Therefore, this research focuses on knowing the factors that influence the use of assets. The number of samples studied was 136 companies listed on the Indonesia Stock Exchange. The results revealed that institutional ownership has a significant and positive effect on asset utilization at a significance level of 0.10. Moreover, quadratic institutional ownership on asset use has a significant and negative effect at a significance level of 0.10. The leverage policy has a significant and negative effect at the 0.01 level on asset utilization. Moreover, the quadratic leverage policy has a significant and positive effect at a significance level of 0.10 on asset utilization. On the other hand, asset structure has a significant and positive influence on asset utilization at the 0.05 level. Keywords: asset utilization; Institutional ownership; leverage policy; asset structure, agency conflict.

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1. Introduction

Shleifer & Vishny (1986) revealed that majority shareholders use their control to have the ability to control the firm. Therefore, when control is large enough, the major shareholder will try to use the company's resources to obtain advantages. Johnson et al. (2000) gives the tunnel the meaning of transfer of resources within the company for the benefit of the majority shareholder. Therefore, according to Cheung et al. (2009) that tunneling can take the form of transactions performed e.g. cash payments made, purchase of assets at a certain price, sale of assets at other parties and the exchange of assets between companies. Therefore, agency conflicts may arise due to improper use of assets. This is an important issue that needs to be addressed with the right control mechanism and will impact business performance. Therefore, this research is interesting to study because if the utilization of assets within the company can be managed properly, it will become the competitiveness of the company and can support the productivity of the company. Conversely, if the use of the assets actually causes a tunnel effect that is detrimental to the company because it is used by the majority shareholder, it will be detrimental to the minority shareholders. Therefore, this study specifically examines the factors that affect the use of assets in companies so that these factors can be controlled properly so that the use of assets in companies can be controlled properly and impact the performance of the company.

The size of the firm's production capacity is defined as the use of assets according to Ellis (1998). Businesses need to be able to make optimal use of assets. If the business is not able to exercise control over the assets, it will have an impact on reducing the level of efficiency. Thus, companies must be able to make strategic decisions by maximizing asset utilization so that success can be measured by improving business performance. On the other hand, existing assets within the company can be a source of conflict. If the leaders do not use the assets to the maximum but make mistakes in decision-making, this will also have an impact on the optimization of the company's assets. Therefore, the behavior of managers must be controlled to ensure that managers act correctly by using assets efficiently so that the value of the company increases. These results are consistent with those expressed by Ang et al., 2000; Singh & Davidson, 2003; Fleming et al., 2005. On the other hand, the use of assets by the majority shareholder also has an influence on the optimization of the assets held by the company. If shareholders use assets for personal interests or certain group interests, deviations will occur and this will be detrimental and impact the performance of the business. This is in line with research conducted by Fleming et al. (2005). The development of tunneling practices that occur in asset-use related businesses is revealed by Cheung et al. (2006) that the form that occurs is the purchase of assets in the form of operations to purchase tangible or intangible assets. Sales of tangible or intangible assets by companies; sales of shares in the form of sales of shares of companies; Commercial relations between companies; Direct cash payments by companies to subsidiaries. Ade (2008) and Jelinek & Stuerke (2009) conducted research on asset utilization. On the other hand, research on debt and asset use policies ((Wang, 2010; Iskandar et al., 2012) there is also research conducted looking at leverage policy on asset usage.

This study focuses on identifying the variables that affect the use of assets in companies. Factors that influence, among others, namely institutional ownership is ownership by a legal person who is registered as a shareholder. Institutional ownership uses percentage ownership which refers to research by Crutchley et al. (1999) Higher institutional ownership will be able to control the use of existing assets. Also, the leverage policy is total debt divided by total assets Abor (2007) On the other hand, the structure of assets in this study is based on the research of Hermeindito (2012). An optimal asset structure will support the utilization of assets within the business. Therefore, a hypothesis is formed which examines the influence of institutional ownership, leverage policy, asset structure. The first hypothesis is that institutional ownership has a significant effect on the use of assets; The second hypothesis is that the leverage policy has a significant effect on the use of assets; The third hypothesis is that asset structure has a significant effect on asset utilization.

2. Research Method

The population used in this study is all companies listed on the Indonesian Stock Exchange (IDX). The samples used in this study are: (1) It has been audited and does not belong to the financial sector; (2) Have complete capital market data and financial reports for the study period; (3) Companies that do not engage in corporate actions such as acquisitions, mergers and delistings. The number of samples is 136. The data comes from the Indonesian capital market. The analysis technique used is the stepwise least squares approach. The variables and indicators used in this study are described in Table 1.

Table 1. Variables and Indicators

Variables	Indicators	Reference
Asset Utilization (Asset_Ut_Tot)	Total sales divided by total assets	Wang (2010)
Institusional Ownership (Inst_Own)	Percentage of total institutional ownership	Crutchley., Jensen., Jahera., dan Raymond (1999)
Leverage (Lev)	Total debt divided by total assets	Abor (2007)
Asset structure (SA)	Total Fixed Assets divided by Total Assets	Hermeindito 2012

Source: processed data (2023)

The equation in this study is:

$$Asset\_Ut\_Tot = \alpha + \beta_1 Inst\_Own + \beta_2 Inst\_Own^2 + \beta_3 Lev + \beta_4 Lev^2 + \beta_5 SA + \varepsilon$$

3. Results and Discussion

3.1. Results

Table 2 presents the results of the tests carried out. The measure of search variables is as follows, i.e. inst_own = total inst own; inst_own quadratic = total inst_own quadratic; leverage = total debt divided by total assets; quadratic leverage = quadratic total debt divided by quadratic total assets; asset usage = total sales divided by total assets; asset structure = total fixed assets divided by total assets. Based on these results, it appears that institutional ownership has a positive and significant effect on asset utilization at a significance level of 0.10. Moreover, quadratic institutional ownership has a negative and significant effect at a significance level of 0.10 on asset utilization. On the other hand, the leverage policy shows a negative and significant effect at the 0.01 level on asset utilization. Moreover, the quadratic leverage policy has a positive and significant effect at a significance level of 0.10 on asset utilization. On the other hand, asset structure has a positive and significant effect on asset utilization at the 0.05 level.

Table 2. Research Model Test Results

Variabel	Asset_Ut_Tot
Intercept	0.4733 (1.33)
Asset_Ut_Tot	
Inst_Own	2.1845 (1.65) *
Inst_Own_2	-2.1195 (-1.84) *
Leverage	-0.3989 (-4.61) ***
Leverage_2	0.0238 (1.76) *
SA	0.0591 (2.27) **

Source: processed data (2023)

*** = significance level at the 1% level;
** = significance level at the 5% level;
* = significance level at the 10% level.

3.2. Discussion

Based on the results of the study indicate that institutional ownership is able to act as a monitoring of asset usage. This shows that the monitoring function can work well. Moreover, when the percentage of institutional ownership increases, there is a decrease in the use of assets. This indicates an expropriation of existing assets within the company due to higher institutional ownership. Therefore, the level of ownership has implications for the use of assets. At different levels, the level of ownership has different consequences (Morck et al., 1988). This argument is based on the fact that a high percentage of ownership will translate into a large number of voting rights. Therefore, linear tests show that higher institutional ownership is more effective in controlling managers compared to low institutional ownership. This is reinforced by the statement by Burkart et al. (2002) that ownership induces owners to monitor more effective management behavior. On the other hand, they are leverage policies that can help companies make good decisions (Maloney et al., 1993). These results support the view that leverage policy can be either oversight or control in controlling agency problems that arise within the firm. In addition, leverage policy is useful for exerting control (Friend & Lang, 1988). The leverage policy implemented can be a control for the company through the creditors so that the use of assets can be more optimal and have an impact on optimizing the performance of the company. There is a unidirectional relationship, in particular between the follow-up exercised by creditors on the turnover of assets (Ade, 2008). The higher the use of the leverage policy, the tighter control creditors have over the business, so the use of assets also increases. Also, it relates to the asset structure of the business. With the increase in assets held by the business, it becomes relevant for the owner to involve external parties to perform the oversight function. On the other hand, with an increased asset structure, the owner has an obligation to be able to make maximum use of the resources that exist within the business. Therefore, the owner will perform a higher supervisory function within the business. This action will have positive consequences on the use of assets.

4. Conclusion

The results of this study revealed that institutional ownership can be a control mechanism based on the existing level of ownership. On the other hand, leverage policy can also be a control mechanism for companies as it can increase the optimization of asset utilization. This shows that if a firm wants to make optimal use of asset utilization, it is necessary to pay attention to institutional ownership and leverage policies. The results show that institutional ownership has a positive and significant effect on asset utilization at a significance level of 0.10. Moreover, quadratic institutional ownership has a negative and significant effect at a significance level of 0.10 on asset utilization. On the other hand, the leverage policy shows a negative and significant effect at the 0.01 level on asset utilization. Moreover, the quadratic leverage policy has a positive and significant effect at a significance level of 0.10 on asset utilization. On the other hand, asset structure has a positive and significant effect on asset utilization at the 0.05 level. The recommendation of this study is to consider the use of other indicators, namely Free Cash Flow (FCF) and Internal Cash Flow (ICF) to determine the effect of institutional ownership, leverage policies and asset structure. In addition, business leaders must have a good understanding of the concept of asset management. Therefore, institutional ownership and leverage policies can be considered to manage the use of corporate assets so that they can improve corporate performance.

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