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THE EFFECT OF LIQUIDITY, COMPANY SIZE, AND ASSET STRUCTURE ON STRUCTURE TRADING COMPANY CAPITAL IN THE IDX

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Abstract : *This his research is to see how liquidity, company scale, and asset composition affect trading companies' capital structures on the Indonesia Stock Exchange. In this sample, the population consisted of 61 trading companies that were listed on the IDX. Purposive sampling was used, and a total of 27 trading firms were found. The financial statements of trading firms listed on the IDX are included in this analysis as secondary evidence The multiple linear regression test was used to analyze the results. The liquidity variable has a substantial impact on capital structure, according to the findings. The capital structure is unaffected by the company scale aspect Capital structure is influenced by the asset structure vector. The capital structure is influenced by liquidity factors, company scale, and asset structure all at the same time. The three variables had a 65.2 percent impact on the capital structure, as seen by the magnitude of Adjusted R2 0.652, while the remaining 34.8 percent was affected by variables other than those used in this analysis.*

Keywords: *Capital Structure, Liquidity, Firm Size, Asset Structure, IDX*

1. Introductions

Competition in business is now very tight due to technological developments and globalization. In achieving company goals must pay attention to its activities, namely managing finances with financial decisions in the form of funding decisions. A funding decision is a decision to determine a capital structure that maximizes firm value(Sheikh & Wang: 2011).

An overview of the section of corporate finance which is a source of funding is the capital structure consisting of long-term debt and equity (Fahmi, 2011: 106). Management must be able to raise funds efficiently to create a good capital structure, to be able to cost capital and maximize company value reflects the share price of the company.

This study uses factors that affect capital structure including liquidity, company size, and asset structure.

Liquidity is a debt policy decided by the company about the company's ability to repay its short-term debt (Wardana & Sudiartha, 2015). Companies with high liquidity have large internal funds, so the company uses their internal funds.

The size of a company is determined by net assets, total profits, average total assets, and average sales (Riyanto, 2001: 299). Large companies with large total assets will use capital from loans to support their operational activities, but not for smaller companies.

Asset structure is a comparison between fixed assets and total company assets. One of the important elements of corporate funding decisions is the asset structure because the

company's operating activities are related to fixed assets. The greater the fixed assets of the company, the more optimal the company's operating activities can generate maximum profit.

Based on the description above, that the decision on capital structure is an important decision that affects the ability of the company to operate/develop its company so that the factors that influence the capital structure, especially liquidity, company size, and asset structure are examined again The research object chosen was a trading company because a trading company requires a large amount of capital to get its product inventory so that this activity will affect the company's capital structure. For this reason, the research title was chosen, "The Effect of Liquidity, Company Size, and Asset Structure on the Capital Structure of Trading Companies on the Indonesia Stock Exchange 2016-2018."

2. Research Methods

This study is quantitative. The demographic for this analysis was trading firms that were listed on the IDX between 2016 and 2018. Purposive sampling was used to pick the sample for this analysis, which consisted of 27 trading firms. The total sample used over the three-year study period was 81 data.

Primary data sources in the form of literature, magazines, and internet pages related to the research project were used. The data was collected using documentary data, specifically financial statements of trading firms listed on the IDX from 2016 to 2018, which were downloaded from the IDX's official website. The operational definitions in this study are as follows:

a. Capital Structure

Capital structure variables using debt to equity ratio (DER).

$$\text{DER} = \frac{\text{Total Amount of Debt}}{\text{Total Capital}} \text{ x } 100\%$$

b. Liquidity

The liquidity variable is measured using the current ratio (CR).

$$\text{CR} = \frac{\text{Current asset}}{\text{Current liabilities}} \text{ x } 100\%$$

c. Company Size

The firm size variable (SIZE) is measured using total assets with the natural logarithm.

$$\text{SIZE} = \text{Ln (Total Asset)}$$

d. Asset Structure

Asset structure (SA) is measured by comparing fixed assets and total assets.

$$\text{SA} = \frac{\text{Fixed asset}}{\text{Total asset}} \text{ x } 100\%$$

The data analysis technique used is using multiple linear regression test, before the data was tested using the classical assumption test, the following is the multiple linear regression equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information:
Y = Capital Structure
α = Constant
β1, 2, 3 = Regression Coefficient
X1 = Liquidity
X2 = Company Size
X3 = Asset Structure
e = *Error*

The F test (simultaneous), t-test (partial), and coefficient of determination are also used to test the hypothesis.

3. Results And Discussion

3.1. Research Result

Table 1
Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Liquidity	81	4.16	5.79	5.0232	0.3619
Company Size	81	3.26	3.42	3,3527	0.0432
Asset Structure	81	1.40	4.07	3,1401	0.6787
Capital Structure	81	2.17	6,07	4,5996	0.8309
Valid N (listwise)	81				

Source: Secondary data processed, 2020

1) Liquidity
   Liquidity is indicated by the Current Ratio (CR) proxy. The minimum value of CR is 4.16 and the maximum value is 5.79. This shows that the amount of CR in the study sample was between 4.16 and 5.79 with an average (mean) of 5.0232 at a standard deviation of 0.3619.
2) Company Size
   SIZE indicates a minimum value of 3.26 and a median value of 3.42 for the company's size. This indicates that the SIZE of the research sample ranged from 3.26 to 3.42, with a mean (mean) of 3.3527 and a standard deviation of 0.0432.
3) Asset Structure
   According to SA, the asset structure has a minimum value of 1.40 and an overall value of 4.07. This indicates that the SA size in the research sample ranged from 1.40 to 4.07, with a mean of 3.1401 and a standard deviation of 0.6787.
4) Capital Structure
   The proxy Debt to Equity Ratio depicts the capital structure (DER). DER has a minimum value of 2.17 and the highest value of 6.07. The sum of DER in the research sample ranged from 2.17 to 6.07, with a mean (mean) of 4.5996 and a standard deviation of 0.8309.

Classic Assumption Test

1) Normality Test

Table 2
Normality Test Results

		Unstandardized Residual
N		81
Normal Parameters	Mean	0.0000000
	Std. Deviation	0.48064950
Most Extreme Differences	Absolute	0.078
	Positive	0.055
	Negative	-0.078
Statistical Test		0.078
Asymp. Sig. (2-tailed)		0.200

Source: Secondary data processed, 2020

The One-Sample Kolmogorov-Smirnov test yielded a value of 0.078 and a mean value of 0.200, indicating that the value is greater than 0.05. Based on the findings of test table 2, it can be inferred that the residual data is normally distributed.

2) Multicollinearity Test

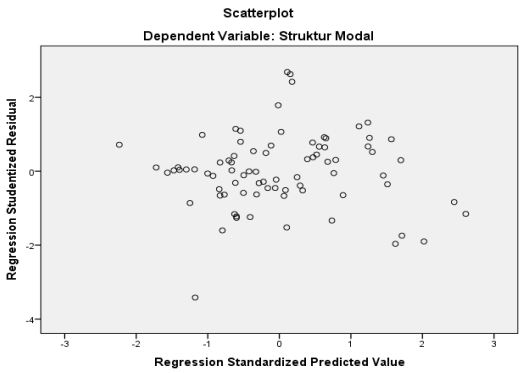
Table 3
Multicollinearity Test Results

		Collinearity Statistics	
	Model	Tolerance	VIF
1	(Constant)		
	Liquidity	0.970	1,031
	Company Size	0.967	1,034
	Asset Structure	0.997	1,003

Source: Secondary data processed, 2020

Table 3 shows that each variable's Tolerance value is greater than 0.10 and its VIF value is less than 10. This proves that the regression used in this study does not have multicollinearity symptoms.

3) Heteroscedasticity Test



Picture 1
Heteroscedasticity Test Results
Source: Secondary data processed, 2020

Since there is no discernible trend in Figure 1 and the dots are evenly distributed above and below 0 on the Y axis, it is assumed that there is no heteroscedasticity.

4) Autocorrelation Test

Table 4
Autocorrelation Test Results

Model	R	R2	Adjusted R2	Std. Error of Estimate	DW
1	0.827	0.685	0.672	0.4325	1,894

Source: Secondary data processed, 2020

In table 4, it is found that the DW value (1.894) is greater than dU (1.7164) and less than 4 - dU (2.2836). Or dU <DW <4 - dU = 1.7164 <1.894 <2.2836. Then the conclusion drawn is that there is no autocorrelation.

Hypothesis Test

1) Multiple Linear Regression Test

Table 5
Multiple Linear Regression Test Results

	Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error
1	(Constant)	7,605	4,539
	Liquidity	-1,401	0.154
	Company Size	1,793	1,288
	Asset Structure	-0,630	0.081

Source: Secondary data processed, 2020

From table 5 above, the results of multiple linear regression testing are obtained which are explained by the following equation:

Y = 7,605 - 1,401 X1 + 1,793 X2 - 0,630 X3 + e

a. A constant value of 7.605 means that if the value of the liquidity-free variable (X1), company size (X2), and asset structure (X3) is zero, the value of the capital structure is 7.605.
b. The liquidity regression coefficient (X1) is -1.401, meaning that if liquidity increases by 1 unit, the movement of the capital structure will decrease by 1.401 units, assuming the value of other variables is fixed.
c. The regression coefficient of company size (X2) is 1.793, meaning that if the size of the company increases by 1 unit, the movement of the capital structure will increase by 1.793 units, assuming the value of other variables is fixed.
d. The regression coefficient of the asset structure (X3) is -0.630, which means that if the asset structure increases by 1 unit, the movement of the capital structure will decrease by 0.630 units, assuming the value of other variables is fixed.

2) F Test (Simultaneous)

Table 6
F Test Result (Simultaneous)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36,753	3	12,251	51,040	0,000
	Residual	18,482	77	0.240		
	Total	55,235	80			

Source: Secondary data processed, 2020

The importance value is 0.000, and the F-count value is 51.040, according to table 6. Since the relevance level for decision making is 5% (= 0.05) and the importance of F-count (51.040) > F-table (2.72), it can be inferred that liquidity, group size, and asset composition all affect the capital structure at the same time.

3) T-test (partial)

Table 7
T-test Result (Partial)

Model		t	Sig.
1	(Constant)	1,675	0.098
	Liquidity	-9,113	0,000
	Company Size	1,392	0.168
	Asset Structure	-7,800	0,000

Source: Secondary data processed, 2020

The results of the research hypothesis on the effect of liquidity, company size, and asset structure partially can be discussed as follows:

a. The t-count of liquidity, according to table 7, is -9,113, with a significance rating of 0,000. H0 is rejected or HA is accepted since the importance value is less than 0.05 and the t-count (-9,113) t-table (-1,991). This demonstrates that the study's second hypothesis (H2) is true, implying that the liquidity component has a substantial impact on the capital structure.
b. The t-count of the business size is 1.392, with a significance ratio of 0.168, according to table 7. H0 is accepted or HA is refused since the importance value is greater than 0.05 and the T-count (1.392) t table (1.991). This means that the third hypothesis (H3) in this analysis is dismissed, implying that the company scale attribute has no impact on the capital structure.
c. Based on table 7, the asset structure's t-count value is -7,800, with a significance rating of 0,000. H0 is refused or admitted since the importance value is less than 0.05 and the t-count (-7.800) t-table (-1.991). This means that the study's fourth hypothesis (H4) is right, implying that the asset structure component has a major impact on capital structure.

4) Coefficient of Determination (R^2)

Table 8
Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.816	0.665	0.652	0.48992

Source: Secondary data processed, 2020

The adjusted coefficient of determination (Adjusted R^2) of 0.652 indicates that independent variables such as liquidity, group size, and asset composition will explain 65.2 percent of the dependent variable, namely capital structure, while the remaining 34.8 percent is explained by variables not used in this analysis.

3.2.Discussion

The Effect of Liquidity, Company Size, and Asset Structure on Capital Structure

The capital structure is influenced by liquidity, group size, and asset structure simultaneously, according to the findings of this report. The importance value of 0.000, which is less than 0.05, and the value of F-count (51.040)> F-table support this (2.72).

The findings of this test back up Lessy's (2016) report, which found that group size, liquidity, profitability, and asset structure both affect the capital structure of manufacturing firms listed on the IDX at the same time. liquidity, company size, and asset structure describe the company as having large internal funds, these funds can be used to assist funding in meeting the company's capital structure.

The coefficient of determination is 65.2 percent, indicating that the variable liquidity, group size, and asset structure can all be explained by the variable capital structure. The remaining 34.8 percent were clarified by factors other than those examined in this report.

The Effect of Liquidity on Capital Structure

The t value of liquidity is -9,113 with a significance level of 0000, according to the findings of this analysis. Liquidity has an important impact on the capital structure when the importance value is less than 0.05 and the t-count (-9,113) t-table (-1,991). The lower the capital structure of a firm, the greater its liquidity. A high degree of funding indicates that the firm has enough cash on hand to pay off short-term debt as it matures. As a result, businesses choose to use internal funds over foreign funds. This is following the pecking order rule, which notes that businesses would prioritize internal funds before seeking external funding to cover any gaps. The findings of this analysis are consistent with Antoni et al (2016)'s studies on the impact of liquidity on the capital structure of Go Public manufacturing companies listed on the IDX.

The Influence of Company Size on Capital Structure

The t value of the business size is 1.392, with a significant amount of 0.168, according to the findings of this report. The firm scale has little impact on the capital structure since the importance value is greater than 0.05 and the t-count (1.392) t table (1.991). Even if the company's net assets are high, the size of the company as determined by total assets has little bearing on corporate financing decisions. As a result, increasing the company's size would not boost the capital structure. Companies are most likely to follow the pecking order principle, in which internal funds are used first than external funds. The findings of this study support Christian's (2013) analysis, which found that the capital structure of real estate and land firms listed on the IDX is unaffected by business size.

Effect of Asset Structure on Capital Structure

The t value of the asset structure is -7.800, and the importance amount is 0.000, according to the findings of this report. The asset structure has a major impact on the capital structure since the importance value is less than 0.05 and the t-count (-7.800) t-table (-1.991). If the asset structure increases, the company's capital structure will decline. Companies with high fixed assets prefer to use sufficient internal funds compared to external funds, this is following the pecking order theory. The findings of this test back up Prastika & Candradewi's (2019) study, which shows that the asset structure of a building construction sub-sector organization on the IDX influences its capital structure.

4. Conclusion And Suggestions

4.1 Conclusion

Based on the results and discussion above, the following conclusions can be drawn:

a. The independent variables of liquidity, group size, and asset structure have a concurrent impact on the capital structure of trading firms on the Indonesia Stock Exchange from 2016 to 2018. The firm has substantial internal reserves as a result of its high liquidity, company scale, and asset base; these assets will be used to assist financing in meeting the company's capital structure.
b. In the period 2016-2018, the liquidity indicator had a major impact on the capital structure of trading firms listed on the Indonesia Stock Exchange. The financial structure of the firm will be reduced as the company's debt increases. A high degree of funding indicates that the firm has enough cash on hand to pay off short-term debt as it matures. As a result, businesses choose to use internal funds over foreign funds.

c. The financial structure of trading firms on the Indonesia Stock Exchange from 2016 to 2018 is unaffected by the business size variable. The fact that the company's size has grown does not mean that its capital structure has improved. Even if the company's net assets are high, the size of the company as determined by total assets has little bearing on corporate financing decisions. External financing is preferred over external funding for businesses.
d. The asset structure attribute has a major impact on the capital structure of Indonesian trading firms from 2016 to 2018. The company's capital structure will be reduced as its asset structure grows. Companies with a large number of fixed assets tend to use internal funding rather than external funds.
e. The capital structure of trading firms on the Indonesia Stock Exchange in 2016-2018 was affected by 65.2 percent by liquidity, group scale, and equity structure, while the remaining 34.8 percent was influenced by other factors besides the variables used in this analysis.

4.2 Suggestion

Based on the conclusions stated, the following recommendations can be made:

a. For the Company

We recommend that trading companies on the IDX be able to increase liquidity. High liquidity means that the company has sufficiently large internal funds so that the company can use internal funds to finance company funding and reduce debt levels in achieving company goals. It is better if trading companies on the IDX can pay attention to the size of the company. Large company size has a large internal source of funds so that it can assist funding in fulfilling the company's capital structure. We recommend that trading companies on the IDX be able to improve the asset structure. With a high asset structure, the use of internal funds in financing company funding is more profitable for companies when the state is not as good as it is today.

b. For Further Researchers

It is better to add other variables that affect the capital structure, not only using the variables in this study. We should increase the number of company samples and the longer or updated research period.

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