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ASSET STRUCTURE AND CAPITAL STRUCTURE: AN EVIDENCE OF TRANSPORTATION COMPANY LISTED AT INDONESIAN STOCK EXCHANGE

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ABSTRACT

Transportration is very essential in the archipelagic country that make people can go from one place to another. So, it is interesting to see the capital structure of Transportration Companies and factor affecting it. The purpose of this study was to look at the effect of asset structre on capital structure of these Transportation Companies. Method used this study descriptive, and the variable used in the study are Asset Structure with Fixed asset to current asset as its proxy in independent variable, and Capital Structure with debt to equity ratio as its proxy in dependent variable. Population used in this study is 10 transportation companies listed on the Indonesia Stock Exchange with an observation period of 2 years, namely in 2016-2017. The analysis of the data is using descriptive statistics, correlation, significant test, and regression linear. The results of the study shows that there is no significant relationship between asset structure and capital structure of Transportation Sub Sector in the Indonesia Stock Exchange seen from t-count 1.610 with a significant value of 0.436 > 0.05. The result descriptive result shows that sub-sector has average use of debt in debt to equity ratio of 126.40% of debt, which means that transportation company used their capital more in their funding then using debt. For asset structure the result shows that the transportation companies asset structure is more on fixed asset than current asset with ratio of 2.5920.This result indicates that transportation companies have tendencies to focus on fixed asset than current asset in their asset structure. In terms of capital structure they also seem to lean on equity than debt in their capital structure. However, since the result is not significant, it is recommended for future researcher to use different ratios and variables in their study.

Keywords: Asset Structure, Capital Structure, Transportation

INTRODUCTION

In this era, competition between businesses is getting tougher both in the industrial and service sectors. Every company must adapt to current conditions to be able to survive in today's competition. Changes in economic environmental conditions have a lot of influence on the business environment, and not all sectors can survive in the changing economic environmental conditions. Many companies do various ways to develop their business. To develop the business, funds are needed to operate the business properly. Sources of funding obtained by a company can come from internal or external.

Capital structure can be interpreted as a balance between the use of loan capital consisting of short-term debt, long-term debt, and own capital. Capital structure describes the proportion of the relationship between debt and equity, one of the important decisions related to the maximization of returns and the crucial impact on value. Therefore, capital structure decisions will affect the condition of the company and determine whether the company can survive and develop. The capital structure between companies is different. This difference in a capital structure depends on how much money is obtained by the company both from within and from outside.

Kontan (2019) reported that PT Acset Indonusa Tbk (ACST) planned to submit additional loans to affiliated companies of PT United Tractors Tbk (UNTR) of Rp 2.4 trillion. So that the total ACST loan to UNTR is Rp 4 trillion. The submission must amend the loan agreement as of March 1, 2018, at which time ACST obtained a 1.6 trillion loan. The addition of the loan will be used by ACST for working capital which will be used to finance construction and infrastructure projects. This money lending is done to increase the capital of the company. From this case, the writer investigates the effect of asset structure on capital structure. Capital structure is influenced by several factors.

According to Riyanto Restiyowati (2014) factors that can affect the capital structure are: sales stability, asset structure, operating leverage, growth rate, profitability, taxes, supervision, nature of management, attitudes of creditors and consultants, firm size (firm size), risk, market conditions, internal company conditions and financial flexibility. These factors are the basis for the manager's decision. Capital structure is one factor in the level of trust for investors before buying shares. If the optimal capital structure, more and more investors are investing.

The variable used in this study is asset structure which is tested for its effect on capital structure. Asset structure is a determination of how much allocation for each component of assets, both current assets, and non-current assets. The composition of tangible fixed assets of a large number of companies will have the opportunity to obtain additional capital with debt because fixed assets can be used as collateral to obtain debt. The higher the structure of the company's assets, shows the higher the ability of the company to be able to guarantee the long-term debt that is borrowed. Asset structure is one of the important factors in a company's capital structure because if the company is faced with conditions of financial difficulties in paying its debts, tangible assets or fixed assets owned by the company can act as collateral to outsiders who provide loans. This study uses the asset structure as a variable with the calculation of fixed assets divided by current assets. Capital structure is a comparison between foreign capital and own capital. Foreign capital meant in this case is both long-term and short-term debt. This study uses the capital structure as a variable with the calculation of debt to equity ratio (DTE). Debt to equity ratio is a ratio to compare how much the debt portion of the total equity owned by the company.

The problem that often occurs related to the capital structure is that it is difficult for financial managers to determine what factors can improve the capital structure. This also supports the author's research. Previous research conducted by Anggelita, Harijantor, and Victorina (2018) showed that asset structure has a positive effect on capital structure. Meanwhile, there are differences in research results. The results of previous studies conducted by Devi (2016) show that asset structure has a negative effect on capital structure. Research conducted by Resti (2015) also shows that asset structure has a negative effect on capital structure. This difference shows that research from one another can be different.

Objective of the Study. Although this research already has the results, deeper research with different conditions, times and places of research is needed to find out whether this research is still relevant to the current condition of the company. The purpose of this research is to find out how the structure of assets affects capital structure

H1: Positively significant relationship between Asset Structure and Capital Structure

Asset structure is a comparison between fixed assets and total assets and will be used as an illustration of the size of assets that can be used as collateral for creditors when the company makes a capital loan. The capital structure explains whether the long-term expenditure policy can affect the value of the company, the cost of capital, and the market price of the company's shares. Several previous studies have shown that asset structure has a positive effect on capital structure. As research conducted by Irma Mustika (2017), Akinyomi and Olagunju (2013), Ichwan (2015) the results show that asset structure has a positive effect on capital structure.

H2: Negatively significant relationship between Asset Structure and Capital Structure

The asset component consists of current assets and fixed assets. The asset structure itself is a determination of the size of the distribution or allocation for each component of the asset. Capital structure is a very important company factor in financial decision making related to debt, both long-term debt and short-term debt. Thus, the use of capital from a company will be reduced if the proportion of tangible assets increases. This is also supported by the pecking order theory, which is the first priority is its internal funding sources. This theory is also supported by several previous studies whose results show that asset structure has a negative effect on capital structure. As research conducted by Resti (2015), Firnanti (2011), Riasita (2014) shows that asset structure has a negative effect on capital structure.

METHODS

The method used in this research is a descriptive method. The descriptive method is a method used for problem-solving by researching and observing a phenomenon or social reality by describing the variables that exist and relating to the problem or phenomenon that you want to test. The sample of this determination was taken from the financial statements of transportation sub-sector companies listed on the Indonesia Stock Exchange in 2016-2017. Samples were taken using the purposive sampling method. Purposive sampling is data or information retrieval used to examine by determining the characteristics or a provision with the aim that in order to answer the problems of the research. Sampling can be based on specific characteristics or characteristics of the population associated with the research conducted. For this reason, the company to be investigated must meet the following criteria: a. The sample used is based on transportation sub-sector companies in Indonesia that have gone public; b. Transportation companies listed on the Indonesia Stock Exchange in the period of 2016-2017; c. Companies that are not given a suspension based on the date I access the data (Jan 24, 2019). Based on the above criteria, the researchers took 20 data samples from 10 transportation companies, which are: PT Indonesia Transport & Infrastructure (IATA), PT Mitra International Resources (MIRA), PT Weha Transportation Indonesia Tbk (WEHA), PT Eka Sari Lorena Transport Tbk (LRNA), PT Astra Agro Lestari Tbk (AALI), PT. Garuda Indonesia (Persero) Tbk (GIAA), Blue Bird Group (BIRD), PT. Samudera Indonesia Tbk (SMDR), Wintermar Offshore Marine Tbk (WINS), Express Transindo Utama Tbk (TAXI). This research uses statistical analysis to find out and answer research related to the effect of asset structure on capital structure with analyzes such as descriptive statistics, correlational analysis, t-test, F-test and regression analysis. The following research model is a function given in the study:

$$DTE = \alpha + \beta 1AS$$

Where:

DTE	: Capital Structure
α	: Constant
$\beta 1$	: Regression Coefficient
AS	: Asset Structure

RESULTS

Tabel 1. **Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
AS	20	.00	7.27	2.5920	2.26590
DTE	20	.05	7.15	1.2640	1.63815
Valid N (listwise)	20				

When we look at the results of the statistical analysis above, it shows that the transportation sub-sector companies in Indonesia which are listed on the Indonesia Stock Exchange based on the selected sample have more fixed assets than current assets because of the calculation results it can be seen that the mean asset structure is 2.5920, above 1. Furthermore, the results of the statistical analysis above also show that the transportation sub-sector companies have an average value in their capital structure of 1.2640 or 126.40%, this shows that these companies obtain capital by way of more debt than issuing capital alone. From the above results, transportation sub-sector companies generally have more fixed assets than current assets and more debt than their capital.

Tabel 2. **Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.185[a]	.034	-.020	1.65408

a. Predictors: (Constant), AS

From the statistic analysis that shown by the table above, it tells us that asset structure has a positive effect on capital structure with r = 0.034.

Tabel 3. **ANOVA[a]**

Sum of Squares	df	Mean Square	F	Sig.
1.740	1	1.740	.636	.436[b]
49.248	18	2.736		
50.987	19			

a. Dependent Variable: DTE
b. Predictors: (Constant), AS

Tabel 4. **Coefficients[a]**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	1.610	.570		2.823	.011
	AS	-.134	.167	-.185	-.797	.436

a. Dependent Variable: DTE

Regression model given in the study is:

DER = 1.610 - .134AS

This model result gives understanding that there is a negative effect of AS with t-count -.797. The result is significant with p-value =.436

DISCUSSION

Previous research shown in this study tell us that most of the research resulted in negative affect of asset structure on capital structure (Resti Dara Ayu Aprilia, 2015, manufacturing companies selected in Indonesia shows the result above the standard, small asset structure). Thus, this study confirms that a negatively significant relationship between asset structure and capital structure.

Conclusion and Recomendation

The result of the study suggest there is a negative relationship between asset structure and capital structure in transportation sub sector in Indonesian Stock Exchange. This indicates that the proportion of various asset in the firm affect the way finance is raised where the increase of assets can reduce the use of debt in the capital structure. Though the result is not significant this indication can help management in their decision making. Management of transportation companies therefore can determine the way their capital structure be whether they use debt or they use their equity or stock in their finances. Further studies are suggested, so they will be a comprehensive ideas regarding the use of capital structure based on asset structure of a company.

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