ANALYSIS OF FINANCIAL INSTRUMENTS ON CAPITAL STRUCTURE IN TELECOMMUNICATION COMPANIES IN INDONESIA

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ABSTRACT

The purpose of this study are: 1) Knowing whether the variables of profitability, liquidity, business risk, growth and asset structure affect the capital structure partially; 2) Knowing whether the variables of profitability, liquidity, business risk, growth and asset structure affect the capital structure simultaneously. This study uses secondary data. The sample in this study were 35 data originating from telecommunications companies listed on the Indonesia Stock Exchange from 2012 - 2016, and included complete financial report data at that time. Sampling used purposive sampling technique. The analytical method used is multiple linear regression analysis with a classic assumption test first which includes normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. By testing the hypothesis using a simultaneous significant test (F-Test) and a partial significant test (Test-t) and Determination Coefficient (R^2) with a standard error of estimate used by 5% or 0.05. Research results: 1) There are partial negative effects significant between profitability and capital structure in telecommunications companies listed on the Indonesia Stock Exchange; 2) Partially there is a negative and significant influence between liquidity and capital structure on telecommunications companies listed on the Indonesia Stock Exchange; 3) Partially there is a negative and significant influence between growth and capital structure on telecommunications companies listed on the Indonesia Stock Exchange; 4) Whereas between business risk variables and asset structure does not affect the capital structure of telecommunications companies listed on the Indonesia Stock Exchange; 5) Simultaneously the variables of profitability, liquidity, business risk,

growth and asset structure affect the capital structure of telecommunications companies listed on the Indonesia Stock Exchange.

Keywords: Capital Structure, profitability, liquidity, business risk, growth and asset structure.

BACKGROUND INFORMATION

The company is a very important in business activity economy the company is built with purpose get benefits that can also be used in the future come. Today the company is always developing in an effort, in anticipation of increasingly fierce competition. Efforts made this are a separate problem for the company, because concerning the fulfillment of the funds needed to do so company development. If a company fulfills the need for funds prioritizes sources from within the company itself, then the company will greatly reduce its dependence on outside parties in overcoming funding problems. Companies in operation always need capital or funds that will be used to finance production, operations and costs purchase of fixed assets, so employers must be able to think from where source of funds can be obtained. Company capital or funds can be obtained from two sources, namely from internal company resources, such as equity in the form of deposits owner or share capital and retained earnings. As for the source from external companies such as foreign capital in the form of debt (Husnan & Pudjiastuti, 2004). Some research related to profitability are wrong one factor in capital structure gives different results, among others research results of Nurrohim (2008) show that profitability significantly influence the capital structure. Research result this is different from the Seftianne and Ratih Handayani studies (2011) states that profitability does not affect the capital structure. The results of the study regarding the effect of liquidity on the capital structure also shows the results of different studies including the results of the study Seftianne and Handayani (2011) state that liquidity is not affect capital structure. The results of the study are different from the research of Syahril and Isnurhudi (2013) states

that liquidity has a negative and significant effect on the capital structure.

The results of the study regarding the effect of business risk on the structure capital also shows the results of different studies including results Joni and Lina's research (2010) state that business risk is not has an influence on capital structure. This result is different from Muhammad Syahril and Isnurhudi (2013) stated that business risk negative and significant effect on capital structure. Results of research on influences Growth towards capital structure also showed different research results including Joni's research results and Lina (2010) state that growth has a positive influence on capital structure. This result is different from Sarsa Meta Nugraini (2012) states that Growth has a positive and unacceptable effect. The results of the study regarding the effect of asset structure on capital structure as well show different research results, including the results of the study Nurrohim (2008) shows that asset structure is influential significantly to the capital structure. This result is different from Seftianne and Ratih Handayani (2011) states that the asset structure is not affect capital structure. From several previous studies there were still differences in results research (research gap) regarding the factors that influence it capital structure. This research tries to find out what factors which affect the capital structure of the telecommunications company listed on the IDX for the period 2012-2016. Variables used in the study these are profitability, growth, business risk, liquidity and asset structure. Therefore, the company in determining the capital structure is necessary understood and analyzed first so that the value of the company can obtained value that can satisfy shareholders or Owners Company.

From the phenomena and theories revealed above, researchers are interested to conduct research on Capital Structure. This research is limiting research on factors that influence capital structure, namely profitability, liquidity, business risk, growth, and asset structure. This research take samples from Telecommunications companies on the IDX.

OBJECTIVES OF THE STUDY

1. Analyzing what the variables are profitability influences the capital structure of a telecommunications company listed on the Indonesia Stock Exchange for the period 2012-2016.
2. Analyze does variable liquidity affect the company's capital structure Telecommunications listed on the Indonesia Stock Exchange 2012-2016.
3. Analyze whether business risk variables affect the structure the capital of a Telecommunication company listed on the Indonesia Stock Exchange the period 2012-2016.
4. Analyze what the variable is growth take effect on the capital structure of the Telecommunications Company listed on the Exchange Indonesia Securities 2012-2016 period.
5. Analyze whether the structure variable assets affect the capital structure of the telecommunications company listed on the Indonesia Stock Exchange 2012-2016.

OPERATIONAL DEFINITIONS

Dependent variable

Dependent variables in this study are capital structure variables. The Debt Ratio (Capital Structure) is calculated by comparing total debt (*liability*) with total assets (Atmaja: 2003).

$$TDR = \frac{Total\ liabilities}{Total\ Assets}$$

Independent variable

The independent variable in this study is the variable predicted to affect the capital structure, namely profitability, liquidity, business risk, growth and asset structure that has been formulated as follows:

A. Profitability (ROA) is a measure of a company's ability in generating profits in a certain period. For measure the level of profitability in this study used ratio ROA(Retur On Asset)

$$ROA = \frac{EBIT}{Total\ Assets}$$

B. Liquidity (CR) in question is the ability of the company in fulfill its short-term obligations with current assets it has. The liquidity ratio can be described in the Current Ratio. The Liquidity Ratio or Current Ratio can be calculated as follows:

$$CR = \frac{Current\ Asset}{Current\ Liabilities}$$

C. Business risk is uncertainty faced by the company in carrying out its business (Saidi, 2004). The higher the risk a company will reduce debt (Laksmi, 2010). Risk business in this study is measured using

Basic Earning Power Ratio:

$$Basic\ Earning\ Power\ Ratio = \frac{EBIT}{Total\ Assets}$$

D. Growth sales (GROWTH) is an opportunity that is owned by company in developing itself in the market. Sales growth is calculated as percentage of growth sales in a certain year against the previous year.

As for the formula is as follows:

$$GROWTH = \frac{Net\ Sales_t - Net\ Sales_{t-1}}{Net\ Sales_{t-1}}$$

E. Asset structure (SA) describes a portion of the total assets can be collateral (collateral value of assets). This variable can be measured by the formula is as follows

$$SA = \frac{Fixed\ Asset}{Total\ Asset}$$

RESEARCH METHODS

The technique used in taking the research sample is *Purposive Sampling* that is sampling by criteria certain. The criteria in question are:

1. Telecommunication Company listed on the Indonesia Stock Exchange period of 2012-2016.

2. Telecommunication Company listed on the Indonesia Stock Exchange which in completed year 2012-2016.

Table 1 Samples at Telecommunications Companies on the IDX

Company & Industry
PT. Bakrie Telecom Tbk Telecommunication
PT. Indosat Tbk Telecommunication
PT. Inovisi Infracom Tbk Telecommunication
PT. Smartfren Telecom (d / h Mobile-8 telecom) Tbk Telecommunication
PT. Telekomunikasi Indonesia (Persero) Tbk Telecommunication
PT. Trikomsel Oke Tbk Telecommunication
PT. XL Axiata (d / h Excelcomindo Pratama) Tbk Telecommunication

RESULTS AND DISCUSSION

Partial Significant Test (Test - t)

To find out whether there are independent variables consisting of Profitability, liquidity, business risk, growth and asset structure dominant influence on the dependent variable namely structure capital, it is necessary to test Partial Significance (Test- t) by looking at the table 4.

Table 2. Regression Analysis Results of Partial Significant Test

	B	t- statistic	Sig.
(Constans)		10,419	0,000
Profitability	-1,018	-2,450	0,022
Liquidity	-0,400	-2,883	0,008
Business risk	0.434	1,079	0,280
Growth	-0,368	-3,705	0,001
Asset structure	-0,190	-1,504	0,144

Dependent Variable: Capital Structure Processed Data, 2017. (Source: Output of SPSS t Test Results)

Variable Profitability significant effect on capital structure. From the regression results obtained values amounting to -2.450 with probability 0.022. Significance values below 0.05 indicate that the variable profitability has significant influence on capital structure. Thus it means that **Hypothesis 1 is proven**.

V*ariable liquidity* significant effect on capital structure. From regression results obtained values as big as -2.883 with probability 0.008, significance value below 0.05 indicates that the variance liquidity has a significant influence on capital structure. Thus it means that **Hypothesis 2 is proven**.

Variable business risks no significant effect on structure capital. From the regression results obtained values as big as 1.079 with

probability 0.280. Significance values above 0.05 indicate that liquidity variables do not have a significant effect on capital structure. Thus it means that **Hypothesis 3 is not proven.**

Variable growth significant effect on capital structure. From regression results obtained values as big as -3.705 with probability 0,001, significance values below 0.05 indicate that the growth variable has significant iinfluence on capital structure.

With thus means that **Hypothesis 4 is proven**. The *active structure variables* have no significant effect on the structure ccapital. From the regression results obtained values as big as -1.504 with probability of 0.144. Significance values above 0.05 indicate that liquidity variables do not have a significant effect on capital structure. Thus it means that **Hypothesis 5 is not proven.**

Simultaneous Significant Test (Test-F)

The next, test the hypothesis whether all independent variables in this study such as variable profitability, liquidity, business risk, growth and asset structure have a significant effect on variables dependent is the capital structure, it is necessary to do an F-Test. Following summary of significant simultaneous testing (F-Test) shown in table 3.

Table 3. Simultaneous Significant Test Regression Analysis Result (Test-F)

Model	Sum of Squares	Df	Mean quare	F	Sig.
Regression	0.904	5	0.181	21.420	0.000
Residual	0.245	29	0.008		
Total	1.149	34			

a. Predictors: (Constant), ASSETS STRUCTURE, GROWTH, RISK BUSINESS, LIQUIDITY, PROFITABILITY
b. Dependent Variable: STRUCTURE CAPITAL

From the results of the analysis contained in table 3.7, show that, calculated F value is 21.420 with a probability of 0.000. Because is probability 0.000 <0.05 so, Ho.1 is rejected, which means that the variable independent consisting of profitability, liquidity, business risk, growth and the asset structure simultaneously has a significant effect on independent variable is the capital structure variable.

Analysis of Multiple Linear Regressions

To prove the hypothesis that has been determined in this study used multiple regression tests. The results of the test will indicate whether there are any influence between variables of profitability, liquidity, business risk, growth and asset structure to capital structure variables at the company telecommunications companies listed on the Indonesia Stock Exchange. This test is done using the SPSS 16.0 for program windows and briefly can be seen in table 3.6

Table 4 Summary of the Results of Multiple Regression Analysis

Model	Unstandardized Coefficents			
	B	Std.Error	t-statistik	Sig.
(Constans)	0.766	0.074	10.419	0.000
Profitability (X1)	-1.432	0.0587	-2.450	0.022
Liquidity (X2)	-0.106	0.037	-2.883	0.008
Business Risk(X3)	0.527	0.489	1.079	0.280
Growth (X4)	-0.011	0.003	-3.705	0.001
SA (X5)	-0.104	0.069	-1.504	0.144
$R^2 = 0.787$				

Based on the results of the above calculations with the help of a computer *program SPSS version 20.0* then the results of the regression equation can be known as the following:

$$Y= 0,766 – 1,432X1- 0,106X2 + 0,527X3 -0,011X4 – 0,104X5$$

The regression equation can be presented as follows:

1. Constant value is 0.766, which means now if the company does not do additional activities on profitability, liquidity, risk business, growth, and asset structure the size of the capital structure 0.766.
2. Profitability coefficient value is equal to -1.432, meaning if profitability increases by one time from the original value, then the value capital structure will decrease or decrease by 1.432.
3. Liquidity coefficient value is equal to -0.106, meaning if liquidity increase in value one time from the original value, then the value capital structure will decrease or decrease by 0.106.
4. The business risk coefficient value is 0.527, meaning if the business risk increase in value one time from the original value, then the value capital structure will increase or increase by 0.527.
5. Growth coefficient value of -0.011, meaning if growth company sales increase once from the original value capital structure will decrease by 0.011.
6. The asset structure coefficient value is equal to -0.104, meaning if the structure assets increase in value one time from the original value then the amount the value of the capital structure will decrease by 0.104.

Coefficient of Determination (R²)

To find out how much influence independent variables such as variable profitability, liquidity, business risk, growth and asset structure towards capital structure variables which can be seen in table 3.5. From the table it is shown that the value of (R^2) coefficient of determination is 0.787. This means that capital structure variables can be influenced by variables profitability, liquidity, business risk, growth and asset structure of 78.7%. While the rest is influenced by other variables. Low value the coefficient of determination is due to the limitations of researchers only enters 5 independent variables and in addition to the management role company in determining

the capital structure that indicates that telecommunications companies in using debt capital not yet examined optimally.

CONCLUSION

Based on the results of the research that has been done, after going through the stages data collection, data processing, data analysis and the last interpretation the results of the analysis regarding the influence of company size, business risk, asset growth and profitability of the capital structure, with use normally distributed data, no there is multicollinearity, absence of hetroscedasticity, and there is no autocorrelation conclusion as follows:

1. Independent variable which consists of profitability, liquidity, risk business, growth and asset structure influence the dependent variable is capital structure. This is indicated by the value of the test results coefficient determination (R^2) which is 78.7% and the remaining 21.3% is influenced by other variables.
2. Simultaneously, independent variables consisting of profitability, liquidity, business risk, growth and asset structure influence on dependent variable (capital structure). This is indicated by the value significant probability of the F-test result of 0,000. That means the independent variable can be used to predict values capital structure.
3. The results of the analysis partially obtained that the variable profitability negative and significant effect on capital structure. This can see from the level of significance of profitability which is equal to 0.021 means less than 0.05. So the hypothesis states that profitability variables affect the capital structure variable is proven. This indicates that the level of profitability is greater in the company will have an impact on structural decline capital originating from debt by the company.
4. From the results of partial data analysis, it is obtained that the variable liquidity negative and significant effect on capital structure. This can see from the level of significance of liquidity that is equal to 0.008 which means smaller than 0.05. So the

hypothesis is that variable liquidity influences the capital structure variable is proven.

5. From the results of the data analysis partially obtained that the risk variable business risk has no significant effect on structure capital. This can be seen from the level of significance of business risk, namely amounting to 0.029 which means greater than 0.05. Become a hypothesis states that business risk variables affect variables capital structure, is not proven.

6. From the results of partial data analysis, it is obtained that the growth variable negative and significant effect on capital structure. This can see from the level of significance of growth that is equal to 0.001 which means smaller than 0.05. So the hypothesis is that variable growth affects the capital structure variable is proven.

7. From the results of partial data analysis, it was obtained that the structure variables assets do not have a significant effect on capital structure. This can see from the level of significance of the asset structure that is equal to 0.143 which means greater than 0.05. So hypothesis which states that asset structure variables affect the capital structure variables, not proven.

SUGGESTIONS

1. For the management of telecommunications companies, it is better before set the capital structure policy first pay attention to the variables of profitability, liquidity, business risk, growth, and asset structure. By paying attention to these variables, companies can decide the size of the appropriate capital structure resulting in an optimal capital structure policy for the company.

2. Future researchers are expected to be able to research factors others that can affect capital structure in addition to profitability, liquidity, business risk, growth, and asset structure and can be done in other companies or industries.

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