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## FACTORS AFFECTING CAPITAL STRUCTURE IN TRADING COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

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### ABSTRACT

The aim of this research is to analyze asset growth factors and profitability factors on capital structure in trading companies listed on the Indonesian Stock Exchange with a sample of 10 companies with complete financial reports from 2020-2022. This type of research uses the ratio analysis method and descriptive analysis method, that the results of this research show that the asset growth factor has no effect on the capital structure, this bad asset growth is because the company does not have sufficient funding to increase asset growth, because the assets are To grow, you must have sufficient funds. Likewise, the profitability factor has no effect on capital structure, this is because the company can be said to be effective in generating profits. This shows that the costs incurred are less than the income earned by the company, resulting in good profits

**Keywords:** Growth Factors; Profitability Factors; Capital Structure.

### INTRODUCTION

The capital structure in a company is an important part in the development of a business to achieve progress in the company's business. This capital structure can be influenced by factors including asset growth and profitability. Asset growth is a reflection of the future profitability of a company. Aris Heru Prasetyo (2011) believes that asset growth is the growth of companies with assets in the form of physical and other assets.

Profitability is the ability of a company to generate profits or profits in each period. Profitability is very important in the long-term survival of a company. Because profitability shows the prospects that will happen to the company in the future. To gain or obtain maximum profits, company managers must work well, so that the company makes large profits and incurs small costs. Halim and Hanafi (2016) explain that profitability is a company's ability to generate profits at the level of sales, assets and share capital.

The company's profitability ratio is able to obtain profits in relation to sales activities and its own capital (Sartono, 2010). that capital structure can be measured using the *Debt to Equity ratio* (DER), which is to look at the comparison between the amount of debt a company has and the equity a company has. Profitability is measured using the *Return On Equity* (ROE) ratio, which measures the company's ability to generate profits based on the share capital owned by the company. Meanwhile, asset growth is measured by changes in assets for a certain period compared to the previous period. Judging from previous research on Analysis of the Effect of Asset Growth, Company Size, Profitability and Business Risk on Capital Structure by Nur Salim (2015), it shows that asset growth has a positive but not significant effect on capital structure, while profitability has a negative effect on capital structure. Meanwhile, research conducted by Wahidin (2018) on asset growth and capital structure on profitability shows that asset growth and capital structure have no significant effect on profitability. In this research, researchers took trading

companies listed on the Indonesian Stock Exchange. The phenomenon that occurs in trading companies on the Indonesian Stock Exchange is that companies use more long-term debt or capital from outside than profits or profits from the company which can result in a lot of risks for the company, the cause is less than optimal profits so that they have a high risk of business owned by a company in a trading company registered on the Indonesian Stock Exchange.

From the explanation outlined previously, the researcher hereby adopts the title "Factors that influence the capital structure of trading companies listed on the Indonesian Stock Exchange".

## METHOD

This research uses the ratio analysis method and descriptive analysis method, while sampling uses the purposive sampling method, where data collection is based on the criteria required in the research with the aim of obtaining a sample. The criteria used by researchers as samples are as follows:

1. Large trading sub-sector companies that present financial reports on the Indonesia Stock Exchange from 2020 to 2022.
2. Trading sub-sector companies that present complete information according to the data required are data regarding total assets, liabilities and capital from 2020 to 2022.

*Table 1 Sample of large trade sub-sector companies*

No	Company Code	Company name
1	AIMS	PT. Akbar Indo Makmur Stimec Tbk
2	AKR	PT. AKR Corprindo Tbk
3	BOGA	PT. Bintang Oto Global Tbk
4	INTA	PT. Intraco Penta Tbk
5	WICO	PT. Wicaksana Overseas International Tbk
6	MIDI	PT. Midi Utama Indonesia Tbk
7	KONI	PT. Perdana Bangun Pusaka Tbk
8	MDRN	PT. Modern International Tbk
9	META	PT. Nusantara Infrastructure Tbk
10	MICE	PT. Multi Indocitra Tbk

Source: [www.idx.co.id](http://www.idx.co.id) data processed in 2023

In Table 1 there are 10 trading companies listed on the Indonesian stock exchange as a sample for a 3 year period, namely from 2020 to 2022 which can produce  $n=30$  (10 companies x 3 years = 30 samples or  $n=30$ ).

## DISCUSSION

### 1. Asset Growth

Asset growth is used to see how many assets the company has in each year.

$$\text{Asset growth} = \frac{\text{Total assets} - \text{Total Assets } t-1}{\text{Total Assets } t-1}$$

Here is the asset growth

*Table 2. Asset Growth*

No	Company Code	Asset Growth		
		2 020	20 21	20 22
1	AIMS	0.19	0.13	0.24
2	AKR	-0.13	0.26	0.16
3	BOGA	0.02	0.37	0.11
4	INTA	-0.29	-0.15	-0.10
5	WICO	-0.03	-0.09	-0.09
6	MIDI	0.19	0.07	0.09
7	KONI	-0.01	0.06	0.18
8	MDRN	-0.50	-0.19	-0.09
9	META	0.15	0.13	0.69
10	MICE	-0.04	0.06	0.13

Source: Data processed in 2023

From table 2, it shows an analysis of the asset growth of the companies in the sample. It can be seen that each year, some are normal and some are not normal. The company that has the highest asset growth is ME.TA PT. Nusantara Infrastructure Tbk, the highest in 2020 (0.15) and in 2021 (0.13) while in 2022 it increased by (0.69). The company that has the lowest growth is PT. Modern Internasional Tbk, in 2020 (-0.50) and in 2021 (-0.19) and in 2022 (-0.09).

## 2. Profitability

Profitability ratios are used to measure a company's ability to generate profits based on a company's capital.

$$\text{ROE} = \frac{\text{Net profit}}{\text{Capital}}$$

The following are the profitability ratios:

Table 4. Profitability Ratio (ROE)

No	company code	2 020	20 21	20 22
1	AIMS	( 6.75 )	16.99	1.22
2	AKR	9.11	10.05	18.84
3	BOGA	2.21	5.95	3.08
4	INTA	81.88	27.64	5.30
5	WICO	(19.70)	(123.04)	(807.16)
6	MIDI	14.32	17.03	20.09
7	KONI	0.08	7.37	9.83
8	MDRN	38.62	( 30.85 )	(23.96)
9	META	3.36	0.77	3.52
10	MICE	0.40	4.24	6.37

Source: Data processed in 2023

From table 4, it shows the profitability analysis (ROE) WICO PT. Wicaksana Overseas International Tbk, had the highest loss for 2 consecutive years, namely in 2020 amounting to (-19.70), in 2021 (-123.04) and in 2018 amounting to (-807.16), so it can be seen that this company is not running efficiently because have losses every year. Meanwhile, PT. Intraco. Penta Tbk has the highest profit for three

consecutive years, namely in 2020 (81.88), and 2021 (27.64) while in 2022 it is (5.30), so this company can generate profits, and run efficiently.

### 3. Capital Structure

The ratio used to see the comparative size of capital structure is DER. to compare the total amount of debt a company has with the amount of equity in that company as well.

$$\text{DER} = \frac{\text{Total Amount of debt}}{\text{Capital}}$$

'Following are the capital structure ratios

*Table 5. DER (Debt To Equity Ratio)*

No	company code	DER		
		20 20	20 21	20 22
1	AIMS	62.67	52.97	88.12
2	AKR	76.99	108.06	106.67
3	BOGA	36.14	75.06	88.67
4	INTA	-331.45	-244.62	-217.14
5	WICO	224.73	555.42	2455.90
6	MIDI	323.51	292.50	247.56
7	KONI	74.66	13.89	20.48
8	MDRN	-156.86	-160	169.15
9	META	74.26	95.97	220.27
10	MICE	46.95	49.62	59.69

*Source: data processed 2023*

From table 5, it shows the capital structure analysis (DER) that WICO PT. Wicaksana Overseas International Tbk, has the highest Debt To Equity results and has experienced an increase in three consecutive years, namely in 2020 it was (224.73) and in 2021 it was (555.42) while in 2022 it was (2,455.90). then the one with the lowest results was INTA PT. Intraco Penta Tbk, in 2020 (-331.45) and 2021 (-244.62) and in 2022 it will be (-217.14).

The aim of this research is to determine the influence of factors of asset growth and profitability on capital structure in the trade sub-sector listed on the IDX from 2020 to 2022. These factors are as follows:

#### 1. Asset Growth Factors on Capital Structure

The results of this research indicate that asset growth has no effect on capital structure. Because, there are only a few companies that have good asset growth, namely PT. Nusantara Infrastructure Tbk, PT. Akbar Indomakmur Stimec Tbk, PT. Bintang Oto Global Tbk, PT. Perdana Bangun Pusaka Tbk, PT. Midi Utama Indonesia Tbk, PT. Multi Indocitra Tbk, PT. AKR Corporindo Tbk which occurs every year from 2020-2023. This increase in asset growth is because the company has a large amount of debt to fund the level of asset growth. This shows that the company is able to operate the company well, it can be seen from the loans (debts) owned by a company. Meanwhile PT. Modern International Tbk, Tbk, PT. Intraco Penta Tbk, PT. Wicaksana Overseas International Tbk, has poor asset growth. The result of this poor asset growth is because the company does not have sufficient funding to increase asset growth, because assets that grow must have sufficient funds.

## 2. Profitability Factors on Capital Structure

The results of this research indicate that profitability has no effect on capital structure. Because there are only a few companies that have profits of more than 10%. PT. AKR Corprindo Tbk, MDRN PT. Modern International Tbk, MICE PT. Multi Indocitra Tbk, PT. Midi Utama Indonesia Tbk, META PT. Nusantara Infrastructure Tbk, BOGA PT. Bintang Oto Global Tbk which has had profits of more than 10% for three consecutive years, and also PT. Intraco Penta Tbk which has the highest profit of the 10 companies. This is because the company can be said to be effective in generating profits. This shows that the costs incurred are less than the income earned by the company, resulting in good profits.

## CONCLUSION

Based on the results of the research discussed, namely regarding asset growth factors and profitability factors on the capital structure of trading companies listed on the IDX from 2020 to 2022. It can be concluded that asset growth does not have a significant effect on capital structure, the greater the increase in asset growth, the more the company will use capital rather than debt. while profitability has a positive effect on capital structure, the greater the profit the company makes, the smaller the loans made by the company. For companies, it is better to increase asset growth, especially increasing profits and managing the capital structure well so that the company can work efficiently and generate maximum profits.

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