ANALYSIS OF INFLUENCE FACTORS DEBT POLICY (CASE STUDY IN COMPANIES THAT GO PUBLIC IN INDONESIA STOCK EXCHANGE)

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Abstract

Debt is one of the external funding sources used by the company to finance the company's funding needs. The purpose of this study is to analyze the factors that influence the debt policy in Cosmetic Manufacturing Sector Manufacturing Companies listed in Indonesia Stock Exchange (IDX) period 2013-2015. The analysis technique used is multiple regression analysis. The results showed that profitability has a positive effect on debt policy, asset structure has a negative effect on debt policy and liquidity have a negative effect on debt policy.

Keywords: Profitability, Asset Structure, Liquidity, Debt Policy

Introduction

The company is a body established by individuals or institutions with the main objective of maximizing profits. One of the things that must be considered in order to maximize profits is to pay attention to how funding decisions are made in order to manage the company's finances properly. There are several things that managers need to consider when making decisions regarding fund disbursement activities. According to Wahidahwati (2002), decisions in terms of financing decisions can lead to conflicts between managers and shareholders. So that managers are expected to be wiser. The conflict arises when the managers and shareholders have different goals. The conflict may occur if the company manager has too much cash at his disposal. Managers often use the cash to finance projects that benefit them or for personal benefits such as Luxurious offices, company jets and tickets to sports matches are all unhelpful to maximizing stock prices. Conversely, with limited free cash flow, managers can reduce wasteful spending.

Companies can reduce excess cash flow in various ways. One way is to channel some of the cash flow back to shareholders through higher dividends or share buybacks. Another alternative is to shift the structure of the capital structure towards more use of debt in the hope that higher debt service requirements will force managers to be more disciplined. If the debt is not repaid as required the company will go bankrupt, which can make the company's managers lose their jobs. Therefore, a manager may not incur unnecessary expenses if the company has large debt service requirements that could compromise his position.

Related to the importance of debt policy and the existence of agency problems as well as the inconsistent results of previous research, the researcher is interested in re-examining the analysis of the factors influencing debt policy in Manufacturing Companies in the Cosmetic Industry Sector listed on the Indonesia Stock Exchange, with the time period 2013-2015. The goal to be achieved in this research is to identify and analyze the factors that influence the debt policy of Manufacturing Companies in the Cosmetic Industry Sector (profitability, asset structure and liquidity).

Theoretical Basis

Debt Policy (DER)

Debt is a source of external funding used by companies to finance funding needs (Surya and Rahayuningsih, 2012). Almost all companies, both small and large companies, generally have obligations or debts. In a simple sense, liabilities are debts that must be paid by the company. In more detail, debt is an obligation of a company that arises from transactions in the past and must be paid in cash, goods or services, in the future. Liabilities are classified into current liabilities and long-term liabilities. Current liabilities are debts that are expected to be paid within one year or one of the company's normal operating cycle (whichever is longer), and by using existing current assets or the result of the formation of other current liabilities.

Meanwhile, long-term liabilities are obligations with maturities of more than one year from the balance sheet date and are supported by issuing bonds. According to Nasrizal et al. (2010), stated that debt policy is part of the balance of the amount of short-term debt, long-term debt, preferred stock and common stock and the company will try to achieve an optimal level of capital structure. Debt policy will encourage managers to be more careful in optimizing the use of these funds because with debt, the company has an obligation to make periodic payments of interest and principal loans. Thus debt will reduce agency conflicts between managers and shareholders. Concerns about the bankruptcy of the company will encourage managers to be wiser in using these funds. Measurement of debt policy is often done using the Debt Equity Ratio which describes the company's ability to use all of its obligations as indicated by some part of its own capital used to pay debts. The lower the DER (Debt Equity Ratio), the higher the company's ability to pay all of its obligations.

Profitability (ROA)

Profitability is a measure of the company's performance and success in generating net profit. In this study the value of profitability is measured using Return on Assets (ROA) which shows how much the contribution of assets in creating net income. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets (Henry, 2016).

Asset Structure

The company's asset structure plays an important role in determining financing. Companies that have high fixed assets will use a lot of long-term debt in their funding. Meanwhile, companies whose assets are partly in the form of accounts receivable and inventories whose value is highly dependent on the level of sustainability of profitability are not overly dependent on short-term financing. Fixed assets are assets that are often used by companies as collateral to obtain loans, so that if the company has large, fixed assets, it will be easier for the company to get loans or debt. Large fixed assets and the offer of ease of giving debt and the opportunity to make investments will be a consideration for companies to take debt policies (Hardiningsih and Oktaviani, 2012).

In addition, Hardiningsih and Oktaviani (2012) also stated that large, fixed asset ownership and offers of easy lending and opportunities to invest would be a consideration for companies to make debt policy decisions.

Liquidity

Liquidity is the ability of a company to meet its financial obligations in the short term by looking at the amount of current assets relative to debt. The most common ratio used to analyze short-term financial position (liquidity) is the Current Ratio, which is the ratio between total current assets and current liabilities. This ratio shows that the value of current assets (which can immediately be used as money) is several times short-term debt. This Current Ratio shows the level of safety (margin of safety) of short-term creditors, or the company's ability to pay off these debts.

However, a company with a high Current Ratio does not necessarily guarantee that it will be able to pay company debts that are due because the proportion or distribution of current assets is not profitable, for example the amount of inventory is relatively high compared to the estimated level of future sales so that the turnover rate is low and indicates there is over investment in the inventory or there is a large balance of accounts receivable which may be difficult to collect. A Current Ratio that is too high indicates an excess of cash or other current assets compared to what is needed now or a low level of liquidity than current assets and vice versa.

Research Methods

The type of research used in this research is associative/correlative research. Arikunto (2006) states that correlative research is research that aims to find whether or not there is a relationship, how close the relationship is, and whether or not the relationship is meaningful. To calculate the magnitude of the correlation can be used statistical methods.

The population is defined as the entire data where the scope and time are determined by the researcher and become the research concern (Margono, 2004). Meanwhile, according to Sugiyono (2010), population is a generalized area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied

and then conclusions drawn. Based on the definition above, the population in this study were 6 manufacturing companies in the cosmetic industry sector which were listed on the Indonesia Stock Exchange (IDX) for the period 2013-2015. According to Sugiyono (2010), the sample is part of the number and characteristics possessed by the population. Meanwhile, according to Arikunto (2006), the sample is part or representative of the population studied. Based on the definition above, the sample in this study is saturated sampling. Saturated sampling is a sampling technique when all members of the population are used as samples. This is done because the population is relatively small, less than 30 companies. So the saturated sample is a census, with 6 manufacturing companies in the cosmetic industry sector for the 2013-2015 period.

The data collection method used is the documentation method, which is a method that collects information and data through literature study, exploration of the literature and financial reports published by the company. This study uses secondary data in the form of financial statements of PT Akasha Wira International Tbk, PT Kino Indonesia Tbk, PT Martina Berto Tbk, PT Mustika Ratu, PT Mandom Indonesia Tbk and PT Unilever Indonesia Tbk for the period 2013-2015.

Results and Discussions

Descriptive statistics

Table 1 describes the description of each independent variable, namely profitability, asset structure and liquidity. While the dependent variable is debt policy (DER).

Tabel 1. Statistis Deskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	18	-2,17	44,50	12,0106	15,47674
Struktur Aktiva	18	23,00	57,00	40,1667	11,59234
Likuiditas	18	65,40	605,40	249,0394	166,23943
DER	18	16,40	225,90	77,9367	66,81129
Valid N (listwise)	18				

Based on Table 1, it shows that each variable has a total of 18 data from the 2013-2015 observation period. The profitability variable shows a minimum value of -2.17 and for maximum data of 44.50 with an average value of 12.01 and a standard deviation of 15.48. The asset structure variable shows a minimum value of 23.00 and for maximum data of 57.00 with an average value of 40.17 and a standard deviation of 11.59. The liquidity variable shows a minimum value of 65.40 and for maximum data of 605.40 with an average value of 249.04 and a standard deviation of 166.24. The debt policy variable shows a minimum value of 16.40 and for maximum data of 225.90 with an average value of 77.94 and a standard deviation of 66.81.

sed on Table 2, it is known that Asymp.Sig. (2-tailed) in the Kolmogorov-Smirnov test of 0.997 > 0.05, it can be concluded that the data in this study are normally distributed, thus fulfilling the assumption of normality.

Tabel 2. Uji Normalitas Data

	Unstandardized Residual
Asymp. Sig. (2-tailed)	,997

Sumber: Pengolahan Data, 2018

Based on Table 3, it is known that the tolerance value of all independent variables is > 0.10 and the VIF value of the independent variable is < 10, thus it can be concluded that there is no multicollinearity in the data.

Tabel 4. Hasil Uji Heteroskedastisitas

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11,603	16,478		,704	,49[illegible]
	Profitabilitas	-,022	,259	-,028	-,086	,93[illegible]
	Struktur Aktiva	,143	,347	,135	,411	,68[illegible]
	Likuiditas	,005	,023	,067	,214	,83[illegible]

Based on Table 4, it can be seen that the value of Sig. greater than 0.05, it can be concluded that the regression model does not contain heteroscedasticity.

Based on Table 5, the test results show that the value of Durbin Watson is 2.067 with the research sample or N = 18, the independent variables are 3 so that in the table it is found that for DL (Lower Bound, L) is 0.9333 and for the value of DU (Upper Bound, U) is 1.696. Because the DW value is greater than the DU value, it can be concluded that there are no signs of autocorrelation.

Tabel 5. Hasil Analisis Regresi Linier Berganda

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	150,207	30,466		4,930	,000
	Profitabilitas	3,111	,478	,721	6,503	,000
	Struktur Aktiva	-1,433	,642	-,249	-2,231	,043
	Likuiditas	-,209	,043	-,520	-4,887	,000

Based on Table 6 it can be seen that the coefficients for the regression equation of this study are:

$Y = 150.21 + 3.11X1 - 1.43X2 - 0.21X3$
Information:
Y = Debt Policy
α = Constant
$\beta1, \beta2, \beta3$ = Regression coefficients
X1 = Profitability
X2 = Asset Structure
X3 = Liquidity
e = Residual

Effect of Profitability (ROA) on Debt Policy (DER)

The results of the hypothesis test on the profitability variable (ROA) show a significance value of 0.000 $< \alpha = 5\%$ (0.05) with a positive sign (unidirectional). So it can be concluded that the profitability variable (ROA) has a positive influence on debt policy (DER). The higher the level of company profitability, the higher the debt used in funding activities. These results support Hardiningsih and Oktaviani's research (2010) which found a positive influence between profitability and corporate debt policy. These results are also consistent with Weka Natasia's research (2015) which found a positive influence between profitability and corporate debt policy. These results are also consistent with agency theory which states that companies that have high profitability should increase the use of corporate debt to minimize agency conflicts between management and shareholders. However, this result contradicts the pecking order theory which states that companies prioritize internal financing and if the company requires external financing, the company will choose to issue the safest securities first.

Effect of Asset Structure on Debt Policy (DER)

The results of hypothesis testing on the asset structure variable show a significance value of 0.043 $<\alpha = 5\%$ (0.05) with a negative sign (not unidirectional). So it can be concluded that the asset structure variable has a negative influence on debt policy (DER). The results of this study are in accordance with the pecking order theory which states that companies that have high growth mean that these companies have internal sources that can suffice their activities, so companies tend to prefer internal funding sources first rather than using debt. The results of this study are not consistent with the results of research by Nasrizal et al. (2010) which states that the greater the fixed assets owned by the company to be used as collateral, the greater the use of debt. These results also do not support the statement that the higher the fixed assets in the total assets the company obtains, the easier it is for the company to obtain debt because the fixed assets owned by the company can be used as collateral for debt (Steven and Lina, 2011). Another study that showed results that were not the same was that of Yeniati and Destriana (2010) which obtained a significance result of 0.000 <0.005 and had a positive direction. Another study that showed inconsistent results was Weka Natasia's research (2015) which found a positive influence between asset structure and company debt policy.

The results of hypothesis testing on the liquidity variable show a significance value of 0.000 $<\alpha = 5\%$ (0.05) with a negative sign (not in the same direction). So it can be concluded that the liquidity variable has a negative influence on debt policy (DER). The higher the company's liquidity, the lower the use of company debt. These findings are consistent with the theory which states that the greater the company's liquidity indicates the company's ability to fulfill its obligations (Kasmir, 2010). The results of this study are also consistent with the results of Damayanti and Hartini's (2014) study showing that liquidity has a negative effect on debt policy. Another study that shows the same results is Weka Natasia's research (2015) which shows that liquidity has a negative effect on debt policy. These results are also supported by the pecking order theory, in which the company's funding structure follows a sequence of funding sources that the company will choose, and the company will prioritize internal funding sources over external funding sources.

Conclusion

Based on the analysis of research results and discussion, several conclusions can be drawn as follows:

1. Profitability has a significant effect on debt policy (DER). This is evidenced by a significance value of 0.000 with a t test value of 6.503. These results indicate that profitable companies tend to have high debt policies.
2. The structure of assets has a significant influence on debt policy with a significance value of 0.043 and the t test value is -2.231. From these results it can be concluded that companies with high asset structures will reduce the level of corporate debt policy.
3. Liquidity has a significant influence on debt policy. This is evidenced by the results of the significance value of 0.000 and the t test value of -4.887. This shows that a high level of corporate liquidity will reduce the company's debt policy.

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