How to capital struktur effect to profitability : Evidence Real estate Firm For years 2017-2018

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A R T I C L E   I N F O

A B S T R A C T

The purpose of this study is to test and analyze how the capital structure measured by using DER affects the profitability of companies engaged in real estate listed on the IDX during 2017-2018. This research is a causality study that will identify the cause and effect of the capital structure variable on company profitability. The population in this study, namely all real estate companies listed on the IDX, as many as 65, then those that meet the sample criteria are 42 companies taken based on purposive sampling criteria. Hypothesis testing is done using the SPSS for the windows 24.0 test tool. The results of the study indicate that the capital structure has a significant positive effect on company profitability. These results indicate that when there is an increase in debt use, there is an increase in the company's profitability. Companies with ownership conditions. Long-term debt is used for long-term funding to buy fixed assets of the company to increase its production and sales in the hope that the company can get more significant profits. Although there is interest that must be paid if the company chooses to finance with debt, the trade-off theory states that companies with high profitability will maximize their long-term debt because the interest expense arising from these debts can reduce taxes that the company's profitability will increase. In line with the data tested in this study, 9 of the companies optimize debt to increase the company's profitability

INTRODUCTION

In a company, funding is a fundamental factor in supporting its operational activities (Ahmad, Muslim & Mappatompo, 2018). In a company, the capital structure is considered necessary for all companies. Whether good or bad, a company's capital structure affects its financial position, including real estate companies, which require substantial financial support to support their operational activities. Atmadja, (2010) explains that capital is used to finance the procurement of assets and company operations in company activities. Suppose the company has problems related to limited capital. In that case, the company will face conditions to use the company's external funds, which can be debt, capital from owners, issuing shares, selling bonds, and bank loans that are focused on how to meet the company's capital needs. The capital structure needs to be maintained to support the company's finances (Pramukti, 2019). The capital structure portion is a strategic and important decision for financial managers in increasing company profits in the future (Putra, 2020). Santika & Sudiyatno, (2011) stated that the optimal capital structure will help maximize firm value and will also have an impact on increasing company profitability (Ahmad et al., 2018).

The company's better profitability will make investors interested in buying shares. It is advantageous for the company because it will get an injection of investors' funds and increase its market value (Kumar, Anand & Song, 2017). Investors will also experience profits because they will get dividends or capital gains from their investments (Arsal, 2021). It explains that profitability, as measured by financial ratios, is an essential factor in examining the capital structure. Susanti & Riduwan, (2020) explain that high profitability will also have significant retained earnings, so there is a tendency for companies to prefer to use retained earnings before using debt as investment financing.

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Objectively, this research was carried out in a real estate company Real Estate Companies. As seen in the search for property throughout 2019, it shows the high level of public interest, namely 27% to invest in the property sector compared to 2018. It is proven that in 2019 the property market grew 5%, compared to the national growth of around 5.02% (Saputra et al., 2020). It means that public interest in the property sector is still perfect. It is essential to analyze and study whether the high public interest in the property sector is in line with the increase in the profitability of real estate companies listed on the Indonesia Stock Exchange.

The optimal level of debt can be achieved when tax savings also reach the maximum amount against the costs of financial distress conditions. Trade-off theory implies that managers will think between tax savings and the cost of financial difficulties in determining the capital structure. In the context of companies with high levels of profit achievement, they will certainly try to reduce their taxes by increasing or increasing their debt ratios; so that the additional debt will reduce taxes (Quote).

Capital structure is a combination of various sources on the balance sheet, namely debt and equity (Asnawi & Wijaya, 2005; Komara et al., 2016). Martono & Harjito (2010) explain that what is meant by capital structure is the comparison of a company's long-term funding as seen from the difference in long-term liabilities to its capital. The components of the capital structure, according to Santika & Sudiyatno, (2011), are Long-term Debt and Own Capital.

In general, profitability is focused on looking at the profit figures, but the long-term liability that can be considered is the net profit margin. Profitability is the company's ability to generate profits with factors that influence it, such as assets, equity, and sales (Muhammad & Rahim, 2019). Profitability also shows the company's ability to pay long-term debt and interest (Pramukti, 2019). Profitability is a factor considered in determining a company's capital structure (Ahmad et al., 2018). It is because, with high profitability, the company will have high retained earnings; so that it can be ascertained that companies prefer to use retained earnings before using debt to finance their investments (Kamaludin & Indriani, 2012).

Companies with good capital structure management will create a good company image (Ahmad et al., 2018). The capital structure will directly impact its financial position, whose goals will affect its profitability. The capital structure has a mix of funds consisting of debt and equity. The company determines the portion of capital and debt according to its financial position and ability to increase that capital (Boutilda, 2015). This funding decision is significant because it will affect net income and increase the owner's prosperity level (Putri & Lutfillah, 2020). Company owners and investors (creditors) will identify the profit the company gets to gain confidence in investing in the future. Companies that are less profit-oriented tend to have higher debt because their operational funding needs are insufficient and because debt is the preferred external source. It will affect operating profit less than optimal, and this condition will harm Return On Equity. Research (Astuti et al., 2015) found that capital structure has a positive and significant effect on profitability.

METHOD

Objectively, this study aims to see the effect of financial leverage and firm size on real earnings management, the dependent variable. The population in this study were 65 real estate companies listed on the IDX in 2017-2018. The sample criteria were 42 companies taken based on the purposive sampling method. The data obtained will then be processed by researchers using the quantitative research method of analysis with the causal research approach. The data analysis model used in this study is the Multiple Linear Regression equation (Husaini & Purnomo, 2006) which is as follows:

$$Y = a + \beta X + e)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Explanations:
Y= Profitability
a = Constant
X= Capital Structure
β= Regression Coefficient
e= Standard Error

Table 1. Research Sample

No	Stock code	Company name
1	ARMY	PT. ARMIDIAN KARYATAMA Tbk
2	APLN	PT. AGUNG PODOMORO LAND Tbk
3	BAPA	PT. BEKASI ASRI PEMULA Tbk
4	BEST	PT. Bekasi Fajar Industrial Estate Tbk
5	BIKA	PT. Binakarya Jaya Abadi Tbk
6	BIPP	PT. Bhuwanatala Indah Permai Tbk
7	BKDP	PT. Bukit Darmo Property Tbk
8	BKSL	PT. Sentul City Tbk
9	BSDE	PT. Bumi Serpong Tbk
10	COWL	PT. Cowell Development Tbk
11	CTRA	PT. Ciputra Development Tbk
12	DART	PT. Duta Anggada Realty Tbk
13	DILD	PT. Intiland Development Tbk
14	DUTI	PT. Duta Pertiwi tbk
15	EMDE	PT. Megapolitan Development Tbk
16	FMII	PT. Fortune Mate Indonesia Tbk
17	GAMA	PT. Gading Development Tbk
18	GPRA	PT. Perdana Gapura Prima Tbk
19	GWSA	PT. Greenwood Sejahtera Tbk
20	JRPT	PT. Jaya Real Propertindo Tbk
21	KIJA	PT. Kawasan Industri Jabeka Tbk
22	LCGP	PT. Eureke Prima Jakarta Tbk
23	LPCK	PT. Lippo Cikarang Tbk
24	LPKR	PT. Lippo Karawaci Tbk
25	MDLN	PT. Moderland Realty Tbk
26	MKPI	PT. Metropolitan Kentjana Tbk
27	MMLP	PT. Manunggal Property Tbk
28	MTLA	PT. Metropolitan Land Tbk
29	MYRX	PT. Hanson International Tbk
30	NIRO	PT. City Reatail Developments Tbk d.h PT. Nirvana Development Tbk
31	OMRE	PT. Indonesia Prima Property Tbk
32	PLIN	PT. Plaza Indonesia Realty Tbk
33	PPRO	PT. PP Properti Tbk
34	PUDP	PT. Pudjiati Prestige Tbk
35	PWON	PT. Pakuwon Jati Tbk
36	RBMS	PT. Rista Bintang Mahkota Sejati Tbk
37	RDTX	PT. Roda Vivatex Tbk
38	RODA	PT. Pikko Land Development Tbk
39	SCBD	PT. Dadanayasa Arthatama Tbk
40	SMDM	PT. Suryamas Dutamakmur Tbk
41	SMRA	PT. Summarecon Agung Tbk
42	TARA	PT. Sitara Propertindo Tbk

RESULT & DISCUSSION

Result

The Classical Assumption Test was carried out to see whether the data were normally distributed, multicollinearity did not occur, and no heteroscedasticity. The data normality test is seen using the

standardized residual histogram and the standardized residual PP plot. In the PP image, the standardized residual plot shows the points spread out in the direction of the diagonal line, so this explains that the data is normally distributed, as shown in Figure 1:
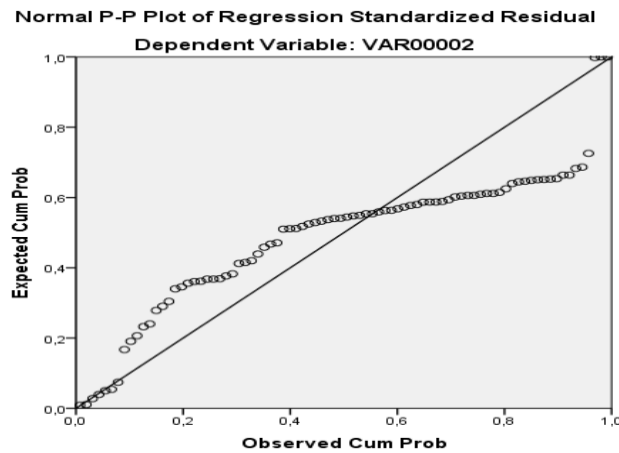

Figure 1. Reliability Test Results

A multicollinearity test is conducted to test the model. Model testing is conducted to see whether intercorrelation or collinearity exists between independent variables. See the strong relationship between variable X and variable Y by focusing on the correlation coefficient value, VIF value, and tolerance. Where if the VIF value of each independent variable is <10 and the tolerance value> 0.05 so that based on the processed data, the result is that the VIF value of each independent variable is <10 and the tolerance value> 0.01 so that it can be concluded that there is no multicollinearity problem in the regression model.

Table 2. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
(Contants)		
Capital Structure	1,000	1,000

The heteroscedasticity test was carried out to see whether in the regression model there was an inequality of the variance of the residuals as seen from the scatterplot graph (Ghozali, 2011). In testing in this study, the Scatterplot graph shows the points spread randomly and is spread either above or below the zero on the Y axis, so it can be concluded that there is no heteroscedasticity in the regression model.
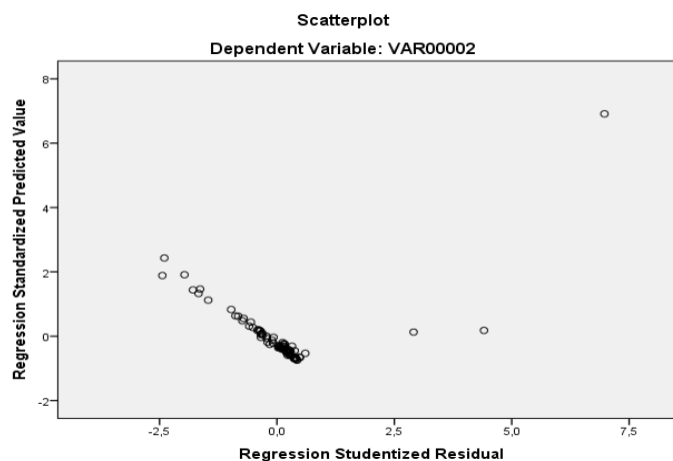
Figure 2. Heteroskedasticity Test Results

Tabel 3. Hypotesis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,361	,116		-3,115	,003
	Capital Structure	,702	,080	,695	8,764	,003

The statistical testing results show that the t-count for the Capital Structure variable measured using DER is 8.764. The value is less than 0.05, so it can be concluded that the capital structure has a positive and significant effect on the profitability of Real Estate companies listed on the IDX. Indonesia. So that on this basis, the hypothesis is accepted. The following is the formulation of the regression equation in the study:

$$Y = -0,361 + 0,702$$

Determinant testing is carried out to see the contribution or influence given by the independent variable and the dependent variable (Ghozali, 2011), so it can be seen from R Square's value. The following is shown in table 4:

Table 4. Determinant Test

R	R Square	Adjusted R Square
0,695[a]	0,484	0,477

The determination test result shows the value of the coefficient of determination or R Square generated in the model, equal to 0.484. It means that the Capital Structure variable affects the profitability variable (Y) by 48%, while 52% is influenced by other variables outside of this research model.

Discussion

The test results found that the capital structure variable has a positive and significant effect on its profitability. When there is an increase in the company's capital structure, it will be in line with the company's profitability. If the more significant the debt, it will affect the amount of profit the company gets. At another point, the company will focus more on making debt payments than giving a share of profits or profits to investors to reduce investors' confidence in investing their shares in the company. It is also explained that companies with long-term debt ownership conditions are used for long-term funding to purchase the company's fixed assets to increase production and sales of the company, hoping that the company can obtain more significant profits. Although there is interest that must be paid if the company chooses to finance with debt, the trade-off theory states that companies with high profitability will maximize their long-term debt because the interest expense arising from these debts can reduce taxes' profitability will increase. In line with the data tested in this study, 9 of the companies optimize debt to increase their profitability. This research is in line with research (Astuti et al., 2015; Supiyadi et al., 2018), which found that capital structure positively and significantly affects Company Profitability.

CONCLUSSION

The results of this study indicate that the capital structure has a positive and significant effect on the profitability of real estate companies listed on the Indonesian Stock Exchange in 2017-2018. The increase in capital structure, which is debt, turns out to be optimized for companies to maximize company profitability because of the large debt. the interest expense on loan will reduce the tax burden that the company must pay.

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