The Effect of Growth Opportunity, Asset Structure, Liquidity, and Profitability on Company's Capital Structure

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Abstract : Competition in the business world encourages companies to maximize financial aspects, one of which is capital structure. The purpose of this research was to determine the effect of growth opportunity, asset structure, liquidity, and profitability either partially or simultaneously on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. The research data were analyzed using the multiple linear regression method which previously tested the classical assumption. The results showed that the growth opportunity, asset structure, liquidity, and profitability simultaneously had a significant effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. While partially the growth opportunity has no significant effect on the capital structure, asset structure, liquidity, and profitability have a significant positive effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021.

Keywords: Growth Opportunity, Asset Structure, Liquidity, Profitability, Capital Structure

Introduction

Competition in the business field is a natural thing. This is unavoidable for business people, given that creativity and innovation continue to develop along with the development of technological advances. Competition in the business world encourages companies to maximize financial aspects, one of which is corporate funding. According to Sartono in Widayanti et al., (2016), the capital structure reflects the proportion of total debt to total capital. Growth opportunity is a metric to measure a company's stamina in the face of economic and industrial upheaval (Kasmir in Maulina et al., 2018). Sales growth reflects the company's expansion rate. According to Brigham & Houston in Widayanti et al., (2016), businesses with higher income require capital This indicates that credit can be extended to businesses that are more stable than businesses with more unpredictable income. Consistent with the findings of Gunadhi & Putra (2019), which found that company growth has positive implications for capital structure. However, Hadiyanto and Widjaja (2018) find that the growth prospects have negative implications for structured capital.

According to Joni & Lina in Maulina et al., (2018), the asset structure is the balance of fixed assets to the total assets used to run the business. When a company has many fixed assets, these assets can be used as collateral to obtain debt (Sitanggang in Batubara et al., 2017). The research of Maulina et al., (2018) revealed that asset structure has positive implications for capital structure. While the theory and these findings are not in line with the empirical findings of Hakim & Apriliani (2020), which revealed that asset structure has negative implications for capital structure. According to Kusna & Setijani (2018), if the company's liquidity level is high, it means that it can easily use its assets to pay off its short-term debt. Hadiyanto and Widjaja (2018) found that a high level of liquidity has a negative effect on capital structure. In contrast to Primantara and Dewi (2016), who revealed that liquidity has positive and significant implications for capital structure. Profitability is a ratio to assess the level of profit of a business from time to time. Investors will be attracted to deposit their funds into the business if it is very profitable because it will get a large return. Dewi & Sudiartha (2017) find that profitability has positive implications for capital structure, this is contrary to the findings of Puspita & Juliarsa (2020). The following shows company growth data calculated by sales growth, asset structure calculated by Fixed Asset Ratio (FAR), liquidity calculated by Current Ratio (CR), profitability calculated by Return On Assets (ROA), and DER PT. PLN (Persero) UP3 South Bali for the period 2014-2021:

**Table 1. Sales Growth, FAR, CR, ROA, and DER PT. PLN (Persero)
UP3 South Bali 2014- 2021 Period**

Year	Sales Growth (%)	FAR (%)	CR (%)	ROA (%)	DER (%)
2014	14,93	87,35	117,23	61,10	16,18
2015	14,21	82,18	133,51	-8,94	7,28
2016	8,56	85,85	140,77	-18,50	9,02
2017	5,86	80,44	128,19	-12,27	4,64
2018	44,18	81,54	116.38	1,46	5,48
2019	7,53	83,92	105,54	24,55	4,66
2020	-17,53	92,74	78,46	26,21	2,81
2021	-7,24	92,01	87,59	14,41	4,32
Average	**8,82**	**85,75**	**113,46**	**11,00**	**6,80**

Source: Secondary data processed, 2022

Based on Table 1, the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021 which is calculated using DER shows fluctuations. The average value of DER in 2014-2021 shows a figure of 6.80%. These events show that there are factors that influence the increase and decrease in the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. The purpose this research was to determine the effect of company growth, asset structure, liquidity, and profitability partially or simultaneously on the capital structure of PT. PLN (Persero) UP3 South Bali Period 2014-2021.

Method

This research was carried out at PT. PLN (Persero) UP3 South Bali for 6 months from February 2022 to July 2022. Quantitative research is the kind of research that is used. The population used is the annual financial report in the form of a balance sheet and profit and loss report of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. The sampling technique used was the saturated sampling technique. The data collection technique used in obtaining secondary data is documentation. The variables in this study include growth opportunity, asset structure, liquidity, profitability, and capital structure. The analysis technique use including multiple linear regression method which previously tested the classical assumption.

Results and Discussion

- **Descriptive Statistics**

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Growth Opportunity	8	-17.53	44.18	8.8150	18.04625
Asset Structure	8	80.44	92.74	85.7538	4.66953
Liquidity	8	78.46	140.77	113.4588	21.85842
Profitability	8	-18.50	61.10	11.0025	26.28672
Capital Structure	8	2.81	16.18	6.7987	4.24603
Valid N (listwise)	8				

Source: Data processed on IBM SPSS 25, 2022

Based on Table 2, the average value (mean) of company growth r is 8.8150% with a standard deviation of 18.04625%. The minimum value of the growth opportunity is -17.53% and the maximum value is 44.18%. The average value (mean) of the asset structure is 85.7538% with a standard deviation of 18.04625%. The minimum value is 80.44% with a maximum value of 92.74%. The average value (mean) of liquidity is 113.4588% with a standard deviation of 21.85842%. The minimum value is 78.46% and the maximum value is 140.77%. The average value (mean) of profitability is 11.0025% with a standard deviation of 26.28672%. The minimum value is -18.50% and the maximum value is 61.10%. The average value (mean) of the capital structure is 6.7987%, the minimum value is 2.81% and the maximum value is 16.18%.

- **Classical Assumption Test**

Table 3. Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		8
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.53633961
Most Extreme Differences	Absolute	.141
	Positive	.109
	Negative	-.141
Test Statistic		.141
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Data processed on IBM SPSS 25, 2022

The data on Table 3 for these variables can be considered normally distributed because the significance value is more than 0.05.

Table 4. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.992[a]	.984	.963	.81927	2.071

a. Predictors: (Constant), Profitability, Growth Opportunity, Liquidity, Asset Structure
b. Dependent Variable: Capital Structure

Source: Data processed on IBM SPSS 25, 2022

Based on Table 4, the Durbin Watson value is 2.071. It shows that there is no autocorrelation issue with the regression equation model.

Table 5. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Collinearity Statistics	
		B	Std. Error	Tolerance	VIF
1	(Constant)	-73.481	12.651		
	Growth Opportunity	.049	.026	.430	2.323
	Asset Structure	.586	.129	.263	3.807
	Liquidity	.247	.023	.381	2.626
	Profitability	.138	.015	.634	1.578

a. Dependent Variable: Capital Structure

Source: Data processed on IBM SPSS 25, 2022

Based on Table 5, the tolerance value of each independent variable is greater than 0.10 and the VIF value of each independent variable is less than 10.00.

Table 6. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	Sig.
1	(Constant)	4.845	5.613		.452
	Growth Opportunity	-.015	.012	-.914	.283
	Asset Structure	-.050	.057	-.780	.449
	Liquidity	.000	.010	-.029	.972
	Profitability	.003	.007	.239	.706

a. Dependent Variable: Abs_Res

Source: Data processed on IBM SPSS 25, 2022

Based on Table 6, it can be seen that the significance values of the independent variables in the heteroscedasticity test are all more than 0.05.

- **Multiple Linear Regression Test**

Table 7. Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-73.481	12.651		-5.809	.010
	Growth Opportunity	.049	.026	.207	1.861	.160
	Asset Structure	.586	.129	.645	4.532	.020
	Liquidity	.247	.023	1.273	10.769	.002
	Profitability	.138	.015	.851	9.293	.003

a. Dependent Variable: Capital Structure

Source: Data processed on IBM SPSS 25, 2022

The following multiple linear equation based on table 7 is obtained:

$$Y = -73{,}481 + 0{,}049X_1 + 0{,}586X_2 + 0{,}247X_3 + 0{,}138X_4 + e \tag{1}$$

- **Hypothesis Test**

Table 8. Coefficient of Determination Test ($R2$)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.984	.963	.81927

a. Predictors: (Constant), Profitability, Growth Opportunity, Liquidity, Asset Structure

b. Dependent Variable: Capital Structure

Source: Data processed on IBM SPSS 25, 2022

Table 8 displays the R2 value is 0.963 or 96.30%.

Table 9. Simultaneous Test (F Test)

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.188	4	31.047	46.255	.005[b]
	Residual	2.014	3	.671		
	Total	126.201	7			

a. Dependent Variable: Capital Structure
b. Predictors: (Constant), Profitability, Growth Opportunity, Liquidity, Asset Structure
Source: Data processed on IBM SPSS 25, 2022

Based on Table 9, the calculated F value is 46.255 (positive) with a significance of 0.005.

Table 10. Partial Test (T test)

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-73.481	12.651		-5.809	.010
	Growth Opportunity	.049	.026	.207	1.861	.160
	Asset Structure	.586	.129	.645	4.532	.020
	Liquidity	.247	.023	1.273	10.769	.002
	Profitability	.138	.015	.851	9.293	.003

a. Dependent Variable: Capital Structure
Source: Data processed on IBM SPSS 25, 2022

Based on Table 10, the growth opportunity variable obtained a calculated T value of 1.861 (positive) with a significance of 0.160. In the asset structure variable, the calculated T value is 4.532 (positive) with a significance of 0.020. In the liquidity variable, the calculated T value is 10.769 (positive) with a significance of 0.002. In the profitability variable, the calculated T value is 9.293 (positive) with a significance of 0.003.

- **The Effect of Partial Growth Opportunity on Capital Structure**
    The growth opportunity has no significant effect on the capital structure due to the company's sales growth at PT. PLN (Persero) UP3 South Bali for the period 2014-2021 does not experience stability every year. The level of company sales for the 2014-2021 period has a fairly large difference each year, causing significant data differences.

- **The Effect of Partial Asset Structure on Capital Structure**
    The results showed that the asset structure partially had a significant positive effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. If a company owns a large number of valuable assets, it will be able to leverage these assets to raise funds from investors in the form of debt, leading to a more complex capital structure.

- **The Effect of Partial Liquidity on Capital Structure**
    The results showed that liquidity partially had a significant positive effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. A good level of liquidity shows lenders that the company can repay its short-term obligations on schedule, which increases creditor confidence and makes it easier for the company to obtain financing.

- **The Effect of Partial Profitability on Capital Structure**
    The results showed that partial profitability had a significant positive effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. High profitability is an indication of a successful business and a good sign for the future of the company. A profitable company tends to expand so that it requires substantial funds.

- **The Effect of Simultaneous Growth Opportunity, Asset Structure, Liquidity, and Profitability on Capital Structure**

    The results showed that the company's growth, asset structure, liquidity, and profitability simultaneously had a significant effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021.

Conclusion

Based on the results and discussions, it can be concluded that the growth opportunity partially has no significant effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. The structure of assets, liquidity, and profitability partially have a significant positive effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. The growth opportunity, asset structure, liquidity, and profitability simultaneously have a significant effect on the capital structure of PT. PLN (Persero) UP3 South Bali for the period 2014-2021. The implications of this research that the results can be used as evaluation material for PT. PLN (Persero) UP3 South Bali to always optimize each alternative source of funding obtained in accordance with the company's needs.

Acknowledgment

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