The Effect of Profitability, Liquidity, Sales Growth and Assets Structure on the Capital Structure of Property and Real Estate Companies Listed on the Indonesia Stock Exchange, 2018/2021

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Abstract. Since there is fierce rivalry in the business world today, firms must be able to thrive in order to accomplish their objectives. In this work, multiple linear regression analysis is employed for data analysis together with quantitative research and a descriptive methodology. Property and real estate firms listed on the Indonesia Stock Exchange (IDX) in the years 2018 through 2021 are the subject of the study. 80 property and real estate companies made up the study's sample. Up to 15 property and real estate companies were included in the study's samples. Based on the study's findings, it is clear that asset structure, liquidity, sales growth, and profitability all work together to significantly improve capital structure. While somewhat affecting profitability, liquidity, and sales growth, the capital structure is unaffected. Additionally, the capital structure is largely impacted by the asset structure.

Keywords: Profitability · Liquidity · Sales Growth · Asset Structure and Capital Structure

1 Introduction

In this day and age, competition in the business world is very fierce, therefore companies must be able to excel in order to achieve their goals. The company has the goal of providing a profit for its shareholders. To meet this goal, companies must improve the performance and creativity of their employees in order to become superior. Property and real estate companies are companies that are in the field of land ownership. In this phenomenon, it is explained that the IDX index for the property and real estate sector during 2021 was recorded to have improved by 15.17%, on Wednesday (25/8). The analysis assesses that currently the improvement that has occurred within the property and real estate sectors can be an opportunity for investors to track property and real estate sector stocks at low prices. In these conditions, it can be a positive thing for the

movement of property and real estate stocks in the future. Previously, the Head of Bank Indonesia (RDG BI) had decided at the August 2021 meeting to maintain the floor rate or at 3.50%. Interest rates on deposits and debt were maintained at 2.75% and 4.25%, respectively. In the second quarter of 2021, Indonesia's economy grew by 7.07% year-on-year, while domestic inflation was 1.52% in July 2021. Inflation is still far from the target of Bank Indonesia (BI). Established. 2–4%. There are some interesting property and real estate stocks to be recommended to see as follows:

a. For LPKR shares, they estimate the base target price of IDR 340 per share,
b. CTRA shares will be traded at a price of Rp 1,200 per share at the end of the year in 2021, while yesterday's sales (25/8) rose 1.78% to IDR 860 per share. In the period January-June 2021
c. SMRA's shares closed at a price of Rp 795 per share. Until the end of 2021,
d. PWON's shares closed at Rp 446 per share, down 0.89%. The share price is estimated to be IDR 675 per share with a year-end target.
e. BSDE shares on Wednesday (25/8) started with Rp. 1,450 per share. BSDE closed at a level of Rp 920 per share.

Bank Indonesia (BI) reported that the House Property Price Index (IHPR) reached 214.8 in January to March 2021, an increase of 1.35% compared to the same period. The growth rate was still below 1.43% from the previous quarter. The price decline occurred in the first quarter of 2021 in small and medium-sized houses. Small house price growth was 1.78% (YoY). Lower than the last quarter of 2020 which was 2.83% (yoy). Mid-range real estate prices rose 1.46% lower than last quarter to 1.61% (yoy), while large residential real estate prices rose 0.83% (yoy), slightly above growth 0.81% in the fourth quarter of 2020 (year) - in a year) (katadata.co.id).

Decision making and capital structure management are concerned with the value of the company and the level of capital expenditures that must be spent. Financing the company's external debt charged by creditors is subject to interest costs on the capital. Conversely, if the company issues internal or private funds, the cost of business opportunity is borne by private funds [1].

The question faced by this phenomenon is whether profitability, liquidity, seller growth, and asset structure influence the capital structure of property and real estate enterprises listed on the Indonesian stock exchange from 2018 to 2021. Consequently, the purpose of this study is to investigate the partial and simultaneous effects of profitability, liquidity, sales growth, and asset structure on the capital structure of property and real estate companies throughout the period 2018–2021.

2 Literature Review

2.1 Capital Structure

Capital structure is the company's short-term and long-term liabilities, the company must pay attention to the balance between debt and equity to increase the capital needed. In this case, the company is required to make the best capital decisions in order to create liabilities and equity that will provide best results [2].

2.2 Profitabilitas

When a business turns a profit using all of its skills, that profitability ratio describes that business' expertise. This ratio is derived from various sources, including sales activities, cash, capital, employee count, branch count, and others. This ratio, commonly known as the Operating Ratio, evaluates the company's proficiency in turning a profit [3].

2.3 Likuiditas

The capacity of the business to settle its short-term debt is known as liquidity. Liquidity is the foundation of the company's everyday operations, and liquidity is the company's capacity to pay its creditors on schedule. Short-term debt can be repaid within a year. The potential to make timely paycheck payments [4].

2.4 Sales Growth

The expansion of the company can be seen in the yearly increase in revenue. This ratio demonstrates the company's capability to increase dividends per share as compared to the prior year. Ratios that can be used to determine the development of the financial statements include total return on assets, return on investment, assets, fixed assets, costs, and capital [3].

2.5 Asset Structure

Every asset owned by the company is expected to support profitable income. Because companies that have high fixed assets will tend to obtain loans where these assets can be used as collateral to improve their operational activities [5].

2.6 Previous Study

1. This research is consistent with studies conducted by [6]. It asserts that profitability has no substantial impact on capital structure Because of the company's great profitability, the company's debt will reduce. In contrast, when profitability declines, debt levels will rise.
2. This study is consistent with previous research [7]. It asserts that liquidity has no influence on capital structure Due to the fact that companies with strong liquidity will have less debt, companies with declining liquidity will see their debt increase.
3. This study is consistent with research undertaken by [8]. It asserts that sales growth has no impact on capital structure Because organizations with a high level of sales will have less debt, and conversely, when sales decline, the company's debt will climb.
4. This research is consistent with previous research [9]. Which implies that the structure of assets has a large beneficial effect on the capital structure, as organizations with a higher degree of asset structure will influence the increase in capital structure.

2.7 Hypothesis

Based on the literature review and the study's framework for developing hypotheses, it is known that (1) Profitability influences capital structure in real estate and property firms, (2) Liquidity influences capital structure, (3) Sales Growth influences capital structure, and (4) Asset Structure influences capital structure in real estate and property firms.

3 Research Methods

This is a quantitative study, and the population consists of all property and real estate firms registered on the Indonesian stock exchange between 2018 and 2021. Purposive sampling is used to collect information on 80 companies. Intentional as many as 15 businesses with a four-year corporate data period.

4 Results and Discussion

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.247	.315		.786	.435
	Profitability	$-1.755E-5$	.000	$-.046$	$-.389$	.699
	Liquidity	$-1.301E-5$	.000	$-.134$	-1.118	.268
	Growth	.086	.112	.091	.773	.443
	Selling					
	Activa Structure	.309	.073	.512	4.251	.000

Based on the table above, the multiple linear regression equation is as follows:
$$Y = 0.247 - 1.755\ X1 - 1.305\ X2 + 0.086\ X3 + 0.309\ X4$$

4.1 Test Results t

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	.247	.315	
	Profitabilitas	-1.755	.000	$-.046$
	Likuiditas	-1.305	.000	$-.134$
	Pertumbuhan	.086	.112	.091
	Penjualan			
	Struktur Aktiva	.309	.073	.512

Based on the table above, it can be explained as follows:

With a calculated t-value of −0.389 −2.004, the profitability variable was found to be statistically significant at 0.699 > 0.05. The conclusion then is that profitability has no effect on the capital structure. With a significance value of 0.268 > 0.05 and a calculated t value of −1,118 −2,004, it is possible to conclude that liquidity has no effect on the capital structure. With a calculated t value of 0.773 2.004 and a significance value of 0.443 for the sales growth variable, it can be stated that sales growth has no effect on the capital structure. With a calculated t value of 4,251 greater than 2,004, and a significance value of 0.00 0.05 for the asset structure variable, it can be concluded that the structure of the assets has a significant positive effect on the capital structure.

4.2 F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.859	4	5.465	4.571	.003[b]
	Residual	65.756	55	1.196		
	Total	87.615	59			

A calculated F value of 4,571 > 2,540 F table with a significance value of 0.003 0.05 in the table above indicates that profitability, liquidity, sales growth, and asset structure have a significant positive effect on the capital structure of property and real estate companies listed on the Indonesia Stock Exchange in 2018–2021.

4.3 Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.499[a]	.249	.195	1.09342

According to the calculation results from the coefficient of determination test in the table above, the adjusted R Square value is 0.195, so it can be concluded that the variables of profitability, liquidity, sales growth, and asset structure (X) explain 19.5% of the variation in the structure variables capital (Y), while the remaining 80% is influenced by factors outside the model.

This study's t-test results indicate that profitability has no bearing on the capital structure of property and real estate firms. This study's t-test results indicate that profitability has no bearing on the capital structure of property and real estate firms. That liquidity has no effect on the capital structure of real estate and property firms.

According to the study's t-test results, sales growth had no impact on the capital structure of property and real estate companies. According to the t-test results of this study, the asset structure has a positive impact on the capital structure of property and

real estate firms. This study confirms the findings of the simultaneous test (test f), which indicated that the capital structure of property and real estate companies listed on the Indonesia Stock Exchange during the period of 2018–2021 benefited significantly from profitability, liquidity, sales growth, and asset structure.

5   Conclusion

The exploration of even more independent variables, such as firm size, business risk, company value, dividend policy, total asset turnover, size, and so forth, is advised for future research. It is intended that the following research would be able to extend the year of research beyond the current study, which was only able to perform 4 years of research utilizing annual financial data for each company. Investors must understand the company's state and whether it is fundamentally sound before making an investment. so that investors and potential investors can take this information into account when making decisions.

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