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Profitability Moderate The Effect OfFirm's Characteristic On Capital Structure

Ceacilia Srimindarti, Firdaus Damas SeptioArdiansyah, Pancawati Hardiningsih, Rachmawati Meita Oktaviani
Faculty of Economics and Business, Universitas Stikubank, Semarang.
Email: caecilia@edu.unisbank.ac.id

Abstract: The objective of this study is to examine and analyze the influence of the asset structure and the company size on the capital structure with profitability as a moderating variable. Company managers must make an efficient comparison between internal and external capital to maximize the benefits. The populations of this study areproperty and real estate companies which were listed in Indonesia stock exchange. The sample selection use purposive sampling method. The criteria which used for sampling were: (1) publishing financial statement; (2) make a profit; (3) holding data on asset structure and profitability; (4) using rupiah. The analysis tool usedin this research is PLS. The result of this study showed that asset structure and company size had a positive influence on the capital structure. Profitability moderate the influence of asset structure on the capital structure, and moderate the influence of the company size on a capital structure.

Key words: asset structure, company size, profitability, capital structure.

INTRODUCTION

Real estate and property companies are now experiencing increasingly fierce competition. One of the company's efforts to survive in tight competition condition is by maintaining capital structure. Basically the capital structure shows the comparison between capital sourced from internal and capital coming from external party. It cannot be denied that the company needs funds to finance the company's operational activities in order to continue to grow. However, a manager must be able to maintain the balance of the source of the company's capital structure in order to provide an optimal capital structure.

The optimal capital structure describes the balance of internal and external sources of funds that maximize the company's stock price. Generally companies will choose funds from internal parties first to meet the needs of funds, but if fund from internal parties are not sufficient then the company may consider taking funds from external parties. This is done because the company is aware when taking funds from external sources there is a risk. The higher the debt, the higher will result in the increasing risk of return to investors be. This high risk can ultimately affect the company's stock price.

There are several factors that can affect the company's capital structure, but this study is limited by discussing the asset structure, firm size, and profitability. The asset structure shows the composition of fixed assets against total assets. If the company has more assets then it is expected that the results obtained by the company also increase. The increasing results will give confidence to external parties that the company is able to repay

the debt, so the possibility to obtain debt is also greater because the company is assessed to have low credit risk. Previous studies that examined the effect of asset structure on capital structure still show inconsistent results. (Zuliani and Asyik, 2014), (Lessy, 2016), found the asset structure has a negative effect on capital structure. But (Watung *et al*., 2016), (Kanita, 2014), (Fajri, 2017), and (Riasita, 2014), stated that the asset structure has a positive effect on capital structure. While (Febriyani and Srimindarti, 2010), found the asset structure has no effect on capital structure.

The next factor, company size, can be defined as a comparison of whether an enterprise's business is big or small. External parties can use company size to assess the corporate credit risk. The larger the company, it will be assessed the more to see its ability to pay off the debt so that it will increase the possibility to obtain more credits. Previous studies that examined the effect of firm size on the capital structure show the following results (Ichwan and Widyawati, 2015), showed firm size positively affect the capital structure, (Novianti, 2015), found that firm size has negatively affect on structure capital, while (Lessy, 2016), shows firm size has no effect on capital structure.

On the bases of inconsistent result of previous study, there is an opportunity to make a novelty of research. The researcher presents profitability as a moderating variable. Profitability can strengthen or weaken the influence of asset structure and firm size on capital structure. Pecking Order Theory state that companies tend to use internal funding sources, rather than using external funds to finance activities. If the company has a large asset but does not earn a profit, the company will choose to use internal funds but if the company has a high asset structure and supported by high profitability then the possibility to get credit more that will affectthe capital structure. Likewise, if the company is classified to a big company however cannot earn a profit, they will use internal funds source, if the company is classified to a big company with a high level profitability will has an impact on thepossibility of obtaining credit more so it can affect the capital structure.

Based on previous background, the purpose of this research are: (1) to examine the effect of asset structure on capital structure, (2) to examine the effect of firm size on capital structure, (3) to test whether profitability can moderate the influence of asset structure to capital structure, (4) test whether profitability is able to moderate the effect of firm size on capital structure.

On the basis of the background above, the problem in this research is how the asset structure and firm size influence the capital structure and whether profitability moderate the influence of asset structure and firm size on capital structure.

THEORETICAL REVIEW

Pecking Order Theory. Pecking Order Theory (POT) describes funding decisions that companies tend to use retain earnings first of retained earnings and depreciation, rather than using external funds (debt, shares) to finance activities. Debt which is an external funding source, is only used by the company if it does not have sufficient and adequate internal funds. Pecking orders theory explains why firms that are highly profitable and have relatively large internal sources of funds generally have less debt, this is not because the company has a low debt ratio target, but because the company does not need external funding (Brealey and MyerStewart, 2012).

According to (Febriana and Yulianto, 2017) managers will issues securities in accordance with the smallest risk sequence according to the pecking order theory, with the intention to reduce the various costs arising from the selection of funds between debt or equity. In accordance with this theory, the investment is financed with internal funds first (retained earnings) and then followed by the issuance of new debt and finally with the issuance of new equity.

According to (Najmudin, 2011) states there are several thoughts use in the pecking order theory, among others: (1) The company chooses internal funding sources because the funds are obtained without causing negative signals that can reduce stock prices. (2) When a company needs external funding source, the first stage is issuing debt, while the issuance of securities is done as the last step. This shows that the issuance of debt is less likely to be seen as a bad signal by investors.

Trade off Theory. Trade off theory is a theory which state that company exchange the benefit of tax from debt funding with problems caused by the potential for bankruptcy. This theory states that optimal capital structure can be achieved by balancing the benefit of tax protection with the burden of costs as a result of the use of increasingly larger debt. The optimal capital structure is where there is a balance between the benefit and costs of using financing from a loan. The intended balance is between tax benefit obtained by the company and the costs bankruptcy. The greater the proportion of debt, the greater the tax protection obtained, so the greater the bankruptcy costs that will be incurred.

The trade off theory cannot be used as a benchmark for accurately determining the capital structure of a company, but with this theoretical model it can be used as a consideration for company to estimate funding decision making that is appropriate to the company's condition. Companies with high asset should use less debt, because companies can maximize these assets to meet the funds needed. Companies with tax high rate should use more debt, because the company can calculate tax savings compare to the costs of financial difficulties.

Capital Structure. According to (Sudana, 2011), the capital structure associated with long-term financing of a company is measured by the ratio of long-term debt with own capital. If a company in meeting the needs of funds prioritizing sources from the company, then the dependence of the company to outside parties is very small. But there are certain times where all sources of funds from within the company have been used, while the company's funding needs are increasing so in this case companies need to find funding alternatives. The alternative that can be done is by taking debt.

Capital structure is the right balance between debt and equity. The optimal capital structure is the use of external funds does not reach 100% of the use internal funds. This is the problem now that many companies use external funds more than using internal funds. The use of external funds that exceed the use of internal funds is actually not wrong except that the amount of external funding in this case should not exceed the amount of assets owned by the company. (Srimindarti and Hardiningsih, 2017)say the optimal capital structure of a company is a combination of debt and equity (external source) with maximizes the company's stock price. At certain times, company management establish a targeted capital structure, which may be an optimal structure, even thought the target can change over time.

According (Primadhanny, 2016) every company need funds to finance the company's operation, with can be met from the owner or from debt, the selection to use of each source of funds has consequency costs tothe company. Determination of capital structure has an important role for achieving corporate goals. The role of management in determining the capital structureis needed to integrate the sources of funds used by the company for its operational activities. The company's funding sources consist of two types namely internal funding and external funding. Internal funding come from profit in held and cash from the company's operations, while external funding come from shareholders equity and loan from creditor.

Asset Structure. Asset structure is a reflection of the company's wealth. The asset structure can be seen from all the wealth of the company both from current assets and fixed assets. But the asset structure is more valuable than the size of the company's fixed assets in dominating the composition of company assets. So it can be interpreted that the factors that make up the fixed asset will affect the size of the structure of the company's assets.

According to (Brigham and Houston, 2013), the asset structure describe whether a company has sufficient assets to be used as collateral for debt. The structure of assets in the company has an influence on financing sources. Most industrial companies whose their capital is mostly embedded in fixed assets will prioritize the capital fulfillment of the permanent capital of their own capital while the debt is only as a complement. The greater the amount of assets owned by the company, the greater the guarantee that can be given to take a loan in large numbers.

According to (Srimindarti and Hardiningsih, 2017), state that the structure of assets is a reflection of the wealth of the company. Asset structure can be seen all the company's assets both current assets and fixed assets. The asset structure further assesses how much the sompany's fixed asset dominate the composition of the company's wealth or assets.

Assets structure is an importan factor in corporate funding decisions, because tangible assets owned by the company are used as collateral to lenders in terms of providing loans. Creditor will provide loans if the security ratio of a fixed asset is high where the company cannot repay its obligations, the company's fixed asset are expected to be used to cover the company's debt. The greater the amount of assets owned by the company, the greater the guarentee that can be given to take loans in large quantities. So that the greater the number of assets, the greater the use of debt than the capital itself in the company's capital structure.

Company Size. Company size describes the size of a company. Big companies will be easy to diversify and tend to have smaller bankruptcy rates. Big companies with a large amount of assets will be more to use capital from loans in the purchase of all assets, compared with smaller companies size.

Company size is a well-defined set of policies that must be implemented by companies in global competition. Company size is basically grouping companies into several groups. There are many ways to define a company's scale, using various criteria, such as number of employees, sales volume, and asset values. Based on several definitions, it can be seen that the company size is a scale that determines the size of the company that can be seen from the value of equity, sales value, the number of employees

and the total value of assets which is a context variable that measures the demands of service or product organization.

According to (Seftianne and Handayani, 2011) the size of company decribe the size of the company. The size of the company can be determined based on total assets, total sales, and average total assets. Some study use positive-value of sales or assets that reflect the larger size of the company, thus increasing the alternative funding that can be chosen in increasing profits.

Big companies generally have good information with their shareholder, which can reduce the information asymmetry between company and investors. Big companies with good levels of information can attract investor to invest in the company. Big companies usually tend to meet operational costs through equity funding, because with complete information obtained by investors, investors will be interested in investing their capital into the company. The Big companies will reduce the proportion of debt on their capital structure.

Profitability. According to (Sudana, 2011), profitability is the ability of companies to generate profits by using resources owned companies, such as assets, capital, or sales company. Profitability also shows the company's ability to pay its long-term debt and interest. Profitability is a factor considered in determining the company's capital structure. This is because companies with high profitability will have large retained earnings as well, so the companies will be more well off and tend to use retained earnings before using debt as investment financing (Kamaludin and Indriani, 2012). The definition of profitability is a ratio to assess a company’s ability to look for profits or profits in a given period. This ratio can also provide a measure of the effectiveness of company management that can be shown from the earned from sales or from investment income (Kasmir, 2015). The purpose of profitability for companies or outside parties are: (1) calculate or measure the profits obtained by the company for a certain period; (2) assess the possition of company profits in the previous year and current year; (3) calculate profit growth over time; (4) assessthe amount of net income after tax with capital; (5) measuring the productivity of all company capital used both loan and own capital.

Ratio of profitability have benefit not only for management or or bussiness owner but also for company outside parties, especially those who have link with the company. There are several benefits of profitability: (1) knowing the position of company’s profit before compared to the current year; (2) knowing profit growth over timem; (3) inform the amount of the company’s net profit after tax deduction; (4) know the productivity of all company-owned funds that are used both from loan and capital.

Hypotheses Development

The Influence of Asset Structure on Capital Structure. Asset structure is a reflection of the company's wealth. The asset structure can be seen from all the wealth of the company both from current assets and fixed assets. But the asset structure is more valuable than the size of the company's fixed assets in dominating the composition of company assets. So it can be interpreted that the factors that make up the fixed asset will affect the size of the structure of the company's assets.

According to (Brigham and Houston, 2013), the asset structure show whether company havesufficient assets to be used as loan collateral and likely usemore debt. The

structure of assets in the company has an influence on financing sources. Most industrial companies whose their capital is mostly embedded in fixed assets will prioritize the capital fulfillment from their own capital while the debt is only as a complement. The greater the amount of assets owned by the company, the greater the guarantee that can be given to take loan.

The asset structure is a composition of distribution fixed assets or current assets. The tradeoff theory states that firms can increase debt as long as there are fixed assets as collateral, but if the cost of the debt is too high, the company should not take more debt to avoid the risk of decreasing corporate value. Companies with large fixed assets cantake debt more, this is because the company's fixed assets can be used as collateral, so the companies are easier to get access to source of fund. Companies with more fixed assets will be easier to borrow money (debt) and more confident to get funding with debt. The using of debt will affect the company's capital structure. Research conducted by (Watung *et al.,* 2016), (Kanita, 2014), (Hamidi and Hariyani, 2017) and (Riasita, 2014), stated that the asset structure has a positive effect on capital structure. Based on the explanation, the hypothesis proposed as follows:

H1: the asset structure has positive effect on capital structure.

The Influence of Company Size on Capital Structure. Company size describes the size of a company. Big companies will be easy to diversify and tend to have smaller bankruptcy rates. Big companies with a large amount of assets will be more daring to use capital from loans in the purchase of all assets, compared with smaller companies size. Company size according is a well-defined set of policies that must be implemented by companies in global competition. Company size is basically grouping companies into several groups. There are many ways to define a company's scale, using various criteria, such as number of employees, sales volume, and asset values.Based on several definitions, it can be seen that the company size is a scale that determines the size of the company that can be seen from the value of equity, sales value, the number of employees and the total value of assets which is a context variable that measures the demands of service or product organization.

Company size describes the size of a company. Big companies will be easy to diversify and tend to have smaller bankruptcy rates. External parties can use company size to assess corporate credit risk. The bigger the company is assessed the more able topay debt so it will increase the possibility to obtain more credits. Previous studies that examined the effect of firm size on capital structure showed the following results; (Adiyana and Ardiana, 2014), (Ichwan and Widyawati, 2015), (Riasita, 2014), (Muscettola, 2014), (Harc, 2015), (Bereznicka, 2013), (Nuswandari, 2013) showed firm size positively affects the capital structure. Based on that explanation, the hypothesis proposed is as follows:

H2: the capital size has positive effect on capital structure.

Profitability Moderate The Influence of Asset Structure on Capital Structure. According to (Sudana, 2011), profitability is the ability of companies to generate profits by using resources owned companies, such as assets, capital, or sales company. Profitability also shows the company's ability to pay its long-term debt and interest. Assets owned by the company can be divided into fixed assets and current assets. The asset

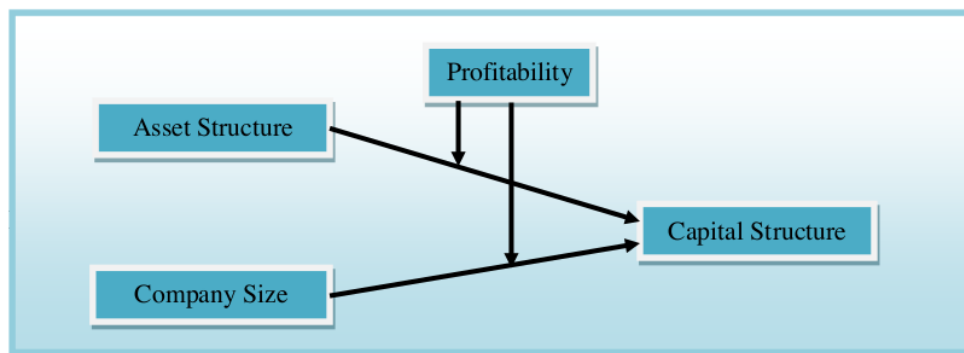
structure describes the ratio between fixed assets and total assets. Profitability is the company's ability to generate profits by using resources owned by the company, such as assets, capital, or company selling. If the company has a high asset structure and supported by high profitability then the possibility to get a bigger credit that will affect the capital structure. Research conducted by (Hadiah and Suwitho,2015), (Karadeniz *et al.,* 2011), (Wahome *et al.,*2015), found that profitability strengthens the influence of asset structure on capital structure. Based on the explanation, the hypothesis proposed is as follows:
H3: profitability strengthens the influence of assetstructureon capitalstructure.

Profitability Moderate The Influence of Company Size on Capital Structure. Profitability is a factor considered in determining the company's capital structure. This is because companies with high profitability will have large retained earnings as well, so the companies will be more well off and tend to use retained earnings before using debt as investment financing (Kamaludin and Indriani, 2012).

Profitability also shows the company's ability to pay its long-term debt and interest. The size of the company shows the size of the company's business. If the company is classified as a big company with a high level of profitability then it can have greater access also to obtain funds from external parties because it is considered to have a small credit risk. This action will have an impact on the possibility of obtaining a high credit so that it can affect the capital structure. Previous study showed that profitability strengthens the influence of firm size on capital structure (Hadiah and Suwitho, 2015). Based on that explanation, the hypothesis proposed is as follows:
H4: profitability strengthens the influence of capital size on capital structure

Research Framework. Based on literature review and hypothesis development above so the framework used in this research is as expressed in figure 1 follows:

Figure 1. Research Framework



Source: (Author processed, 2019)

METHODOLOGY

Population and Sample. The populations of this study were all property and real estate companies listed on the Indonesia Stock Exchange (IDX) during 2013-2018. The sample was determined by purposive sampling method. The criteria were as follow: (1) issuing financial statements from 2013 to 2018. (2) making profits. (3) holding data on asset structure, firm size and profitability. (4) using rupiah currency.

This study has two independent variables including asset structure and firm size, one moderation variable namely profitability and one dependent variable of capital structure. The following table describes the operational definitions of the variables used.

Table 1. Concept Definition and Operational Definition

No	Variable	Concept Definition	Operational Definition
1	Capital Structure	The capital structure is the ratio of long-term debt to equity. In this study capital structure is proxied through Debt Equity Ratio (DER).	DER = $\frac{\text{Amount of Debt}}{\text{Equity}}$
2	Asset Structure	Asset Structure is the amount of assets that can be used as collateral by the company when the company lends to external parties.	FTA = $\frac{\text{Fixed Asset}}{\text{Total Asset}}$
3	Company size	Company size is a scale that can be classified big or small companies in various ways, including total assets, log size, stock market value, and others.	SIZE = LnTA
4	Profitability	Profitability is a company's ability to generate profits in a certain period.	ROA = $\frac{\text{Income After Tax}}{\text{Total Asset}} \times 100\%$

Source: (various references, 2017)

Data analysis method. The data in this study were analyzed by using PLS analysis. The research model is as follows:

$$DER = \alpha + \beta_1 FTA + \beta_2 SIZE + \beta_3 FTA.ROA + \beta_4 SIZE.ROA + e \quad \text{……..equation (1)}$$

Where:
DER = Capital Structure
FTA = Asset Structure
SIZE = Company Size
FTA.ROA = Interaction of Asset Structure and Profitability
SIZE.ROA = Interaction of Company Size and Profitability

THE RESULTS OF STATISTICAL TESTS

Research Sample. The populations of this research were all of property and real estate companies which listed on Indonesian stock exchange (IDX). This is done because the company's operational structure is relatively the same. The sample selected in this study using purposive sampling technique. The sample selection procedure is presented in table 2. On the basis of predetermined criteria, there were 54 companies in each year (pooling data) as a sample of the study, so that the number of observation data (n) from 2013 to 2018 is 210. Detailed exposures are shown in the following table.

Table 2. Research Sample

No.	Information	Amonut
	Population: Property and Real Estate Company listed on IDX during 2014-2018.	54
1.	Criteria: Companies that did not issue consolidated financial statements during the period 2014-2018	(15)
2.	Companies that did not earn consecutive profits during the period 2014-2018	(4)
3.	Companies that did not have complete data in succession	0
	Number of samples	35

Source: (data processed, 2019)

Description of Variables. Statistical descriptive measurement in this study is useful to facilitate the observation through calculation of mean, minimum, maximum, and standard deviation, so that can be obtained picture about outline of sample data.Table 3 presents descriptive statistics for 210 data over six years of observation. The columns in table 3 describe the number of samples, minimum, maximum, mean, and standard deviation.The minimum value describes the lowest value of a variable, the maximum value describes the highest value of a variable,average value represents the range of data obtained from the sum of all data divided by amount of data,while the standard deviation is the deviation of the mean value squared for a variable.

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DER	210	.0841	152.5131	32.510727	29.2392450
FTA	210	.0351	76.6440	13.061863	15.6592628
Size	210	17.6355	31.2763	27.323930	2.8669019
ROA	210	.0362	19.0674	2.446106	2.5369811

Source: (data processed, 2019)

Based on the results of descriptive statistics in table 3, it can be explained that the minimum value of asset structure is 0,0351 and the maximum value is 76,6440 with an

average value 13,061863. It indicates that companies that have large fixed assets tend to use large debt. It means that the greater fixed assets owned by companies then the greater debt used by them. The measurement of company size variable can be seen that the minimum value is 17,6355 and the maximum value is 31,2763, while the average value is 27,323930 and value of standard deviation is 2,8669019. This value indicate that the larger size of the company then the greater debt used by them. It shows that if the companies have high financial capability for investment then it requires the use of larger external funds.

The minimum value of profitability (ROA) is 0,0362, the maximum value is 19,0674, the average value is 2,446106, and the value of standard deviation is 2,5369811. It indicates that if the companies have high profitability then it tend to have low debt. The minimum value of capital structure (DER) is 0,841, the maximum value is 152,5131, the average value is 32,510727, and the value of standard deviation is 0,29887. It express that company has debt and equity with an average 32,510727. The maximum value of DER indicate that companies use high debt compare to using equity, so this condition result increasing interest loan and corporate expense. The minimum value of debt to equity ratio show that companies prefer to use the equity than debt to cover company's operation expense so there is no increasing of loan interest.

Model Testing. Model test is used to test whether the model is compatible with the data and the independent variables simultaneously affect the capital structure. The result of test model is expressed as bellow:

Table 4. R Square Test

	R Square
Asset Structure Size Profitability*Size Profitability*Asset Structure	0,146

Source: (primary data processed, 2019)

Based on table 4 can be seen that value of adjusted R-square is 0,146 it is mean that the influence of assets structure (AS) and size moderated by profitability (PR) on structure capital (SC) is 14,6% and the remaining 85,40% is explained by other variables outside the research model.

Table 5. Model Fit and Quality Indices Test

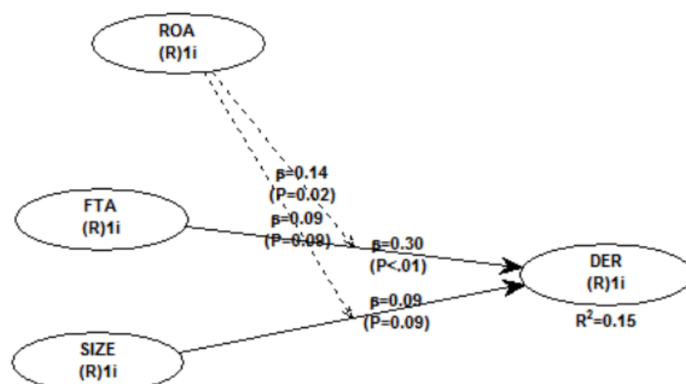
Average path coefficient (APC)	0.153, P<0.005
Average R-squared (ARS)	0.146, P<0.007
Average adjusted R-squared (AARS)	0.129, P<0.013
Average block VIF (AVIF)	1.086, acceptable if <= 3,3
Average full collinearity VIF (AFVIF)	1.320, acceptable if <= 5
TenenhausGoF (GoF)	0.382, large >= 0.36
Sympson's paradox ratio (SPR)	1.000, acceptable if >= 0.7
R-squared contribution ratio (RSCR)	1.000, acceptable if >= 0.9
Statistical suppression ratio (SSR	1.000, acceptable if >= 0.7

Source: (data processed, 2019)

On the basis of Table 5 it can be seen that the model has a good fit because p value of*Average Path Coefficient* (APC), *Average R-squared* (ARS), and Average adjusted R-squared (AARS) were0.153; 0,146; and 0,129. The value of Average block VIF (AVIF) and Average full collinearity VIF (AFVIF) less than 3.3,it is mean that there is no multikolinieritas problem between indicators and between exogenous variables. The TenenhausGoF (GoF) value was 0.382, it describe that the model was very good. The indeks Sympson's paradox ratio (SPR), R-squared contribution ratio (RSCR) produce a value equal to 1 which means there is no problem of causality in the model. The value of Statistical suppression ratio (SSR) was more than 1,000, whereas for the non-linear bivariate causality direction ratio index yield a value more than 0,7 it is mean there is a non-linear causality relationship in the model. Full collinearity VIFs value for every constructs is very good because they have value less than 3,3. Value of AS, Size, SC, PR, PR*AS and PR*Size are 1,324; 1.031; 1.101; 1.279; 1.312; and 1.331 so there is no problem collinearity in the research model. Value of Q-square SC variable is 0,155>0, it is mean that research model has predictive relevance.

Hypothesis Test. Based on the data that has been processed, the result of this research is expressed in figure 2 follows:

Figure 2. Findings of Structural Model



The next table illustrates the result of hypothesis testing. Table 5 demonstrated about path coefficient analysis and p values between variables.The path coefficients test is used to determine whether the variables in the model have simultaneous influence. To see the detail output of process can be shown in the table below:

Table 6. Hypotesis Test

	Coefficient	P-value	Result
Asset Structure→Capital Stuctura	0,925	<0,001*	Accepted
Size →Capital Stucture	0,092	0,086***	Accepted
PR*Size →Capital Stucture	0,090	0,090***	Accepted
PR*Asset Structure→Capital Structure	0,136	0,021**	Accepted
Alpha: *0,01%, ** 0,05%, ***0,10%			

Source: (data processed, 2019)

Table 6 shown that p values of AS is <0,001 it is mean that the first hypothesis is accepted at the level 1%. This condition state that asset structure has positive effect on structure capital, so the first hypothesis is accepted. Size and PR*SIZE p values are 0,086 and 0,090 therefore the second hypothesis and fourth hypothesis are accepted at the level 10%. While p value of PR*AS is 0,021 so the third hypothesis is accepted at the level 5%.

DISCUSSION

The Influence of Asset Structure on Capital Structure. The result test of hypothesis 1 shows that asset structure has positive effect on the capital structure. This finding indicate that the bigger of proportion of fixed assets that owned by the company, the bigger the possibly of companies to use external fund. Companies that have large amounts of fixed

assets can use large amounts of debt, this is because companies with large fixed assets are seen have greater guarantees, so making it easier to get access to financial resources. Companies with more fixed assets will be easier to borrow money and more confident to get funding with debt. The amount of fixed assets owned by the company can also increase the creditor's confidence in lending money. Creditor will provide loans if the security ratio of a fixed asset is high where the company cannot repay its obligations, the company's fixed asset are expected to be used to cover the company's debt. The result of this study is consistent with research conducted by (Watung *et al.*,2016), (Riasita,2014), and (Hamidi and Hariyani, 2013), (Sahabuddin, 2017), (Buana and Khafid, 2017) that stated the asset structure has a positive effect on capital structure.

The Influence of Size on Capital Structure. The result test of hypothesis 2 shows that company size has positive effect on capital structure. This shows that property and real estate firms grow larger, the more they take a debt. The larger the size of the company requires more funds. One way that companies can do to meet these funds requirement is by taking debts. Big companies get debt more easily because they have access to funding from various sources. Thus, it will affect the capital structure of the company. The results of this study consistent with research conducted by (Adiyana and Ardiana, 2014) and (Riasita, 2014), which stated that the size of the company have a positive and significant impact on capital structure.

Big companies will have an impact on rising stock prices and the company's value will be high. Companies with large size are considered more profitable to provide a return on investment so it will reduce investor uncertainty towards to the company. Asset growth is highly expected for the development of the company both internally and externally, because high growth gave a signal the development of the company. In the investor's view the growth of the company is a sign that the company has a profitable aspect and investors will expect the rate of return on investment made. The results of this study are consistent with the research conducted by (Indriani and Widyarti, 2013), (Amran, 2013), (Wahyuni and Suryantini, 2014), (Wahab and Ramli, 2014), (Acaravci, 2015) and (Chaidir, 2018).

Profitability moderate The Influence of Asset Structure on Capital Structure. Testing of hypothesis 3 shows that profitability moderate the effect of asset structure on capital structure. This result shows if the company has a high asset structure and supported by high profitability then the possibility of getting credit is greater.

This study found that if the asset structure is high, the company's total debt will also be high, and vice versa with a low total asset structure, the company will have a low total debt.This can be caused companies that have a high fixed asset structure can generate a high profit so company make creditors trust to the company. If the company has a high asset structure and supported by high profitability then the possibility to get a bigger credit that will affect the capital structure. However if the company has a high asset structure but cannot generate profit, there is a possibility that the company has difficulty to fulfill their short-term obligations.Creditors will provide credit by looking at the company's credit risk. (Wahome*et al.,* 2015), found that profitability strengthens the influence of asset structure on capital structure.

The result of this study support the trade off theory which explain that companies that have a large asset structure, the portion of their debt usage will also be greater because more and more fixed asset can be used as collateral.

Profitability moderate The Influence of Company Size on Capital Structure. The results of testing on hypothesis 4 indicate that big-scale companies are generally easier to obtain debt than small companies because it is related to the level of creditor trust in big companies (Najmudin, 2011). Big companies have ability to manage company assets well. This capability can have a good impact on the company to increase profits for the company. If the company is classified as a big company, and able to get high profit it is have important role in determine the funding to be chosen by the company. However if the company experience loss, the company will act carefully when deciding to use external funds to finance the company's operation. Although the bigger the company the greater the company's ability to make a profit, the company will consider their profit before decide taking funds from external parties. This is describes that profitability can be considering as variable which strengthen the effect of size on structure capital.

CONCLUSION

Based on the explanation earlier it can be concluded that the asset structure and the size of the company positively affect the capital structure of property and real estate companies in Indonesia. This means that the greater the fixed assets of the company will cause the greater the debt owned. Likewise, if the size of the company islarger itwill result in the greater debt owned by the company. The high profitability cause firms with high fixed assets to increase debt but companies must aware of the credit risks faced. But if the size of the company gets bigger then, the ability to earn a profit is also higher, this condition encourages the company to do a larger debt again.

The results of this study are able to provide support for pecking order theory which states that companies will generally choose to fund the company's operations from internal sources, but if internal funds are not enough companies decide to take funds from outside parties. The results of this study are also expected to be the reference for next research which is interested to examine about capital structure.

Limitation and Suggestion. This study has limitations on the relatively low level adjusted R^2 of 14.6%. The result of this study cannot yet be generalized because the population used in this study are only property and real estate and the number of sample is limited. Therefore it is suggested for further research to add other variables that affect the capital structure such as liquidity, sales growth, and risk of business, so can provide a more complete description of factors that affect on capital structure.

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